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COMMODITIES: Investing in spices may give good returns

REAL ESTATE: Ease of buying through portals

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April 2015, released on March 25, 2015

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From the Managing Editor

The first full Union Budget of the Narendra Modi-led National Democratic Alliance government for the financial year 2015-16 did not create much of a stir in the equity market. Though expectations were high on reforms and easing of personal income tax provisions, Finance Minister Arun Jaitley stayed away from announcing any market-moving provisions and focussed on strengthening the framework for the economy. The stock market has been lukewarm since February 28 with the BSE Sensex slipping nearly 800 points from 29,411 at opening of trading session on Budget day to close at 28,622 on March 17. Trading on Budget day itself was lacklustre with the Sensex closing a shade lower at 29,311 after reaching an intra-day high of 29,560. However, though there were no big-bang announcements that the market could lap up, there have been several changes in personal income tax provisions that can benefit the salaried class. If utilised in full, a salaried person in the highest 30% tax slab can save an additional Rs 24,596 a year in taxes. Among these is an additional deduction of Rs 50,000 for investment in the National Pension System, which can result in tax savings of Rs 15,450 a year. The deduction limit on premium paid for health insurance has been increased and the recently launched Sukanya Samriddhi Yojna aimed at providing a corpus for education and marriage of the girl child has been made totally tax-free. With an attractive tax-free return of 9.1% this could be a good avenue to save if you are a parent of a girl child. Other than tax provisions, there are new schemes such as the Gold Monetisation Scheme and the Sovereign Gold Bond Scheme that you could avail of to optimise your personal finances. Our cover story starting on *page 20* dissects all these measures and tells you how you should tweak your portfolio to optimise your tax savings the next year.

While the equity market has been moving sideways since the Budget, the long-term prognosis is that it would gradually inch up to new highs. The government's thrust on infrastructure with increased allocation of Rs 70,000 crore would help the economy move ahead and the stock market to tag along. Sectors such as engineering, capital goods and cement could benefit from the higher spending on infrastructure. In our cover segment on Budget impact on the stock market we analyse these sectors and bring to you some investment ideas that could make you richer in the days to come.

If you are an avid equity investor and are looking for cues for stock selection, read our story on the investment strategy of celebrity US hedge fund manager Joel Greenblatt. We bring you stocks in the Indian equity universe that fit into his criteria for picking stocks. There are some interesting names in the pack.

Sarbajeet Sen

SARBAJEET K SEN, *Managing Editor*

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John Holden, CEO, Canara HSBC OBC Life Insurance

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INSIDE:
Booklet on mutual fund investing by Franklin Templeton AMC

{Advisory}

{MT News & Data}

From time to time, you will see pages titled 'An Impact Feature' or 'Advertorial' in money today. These are no different from advertisements and the magazine's editorial staff is not involved in their creation in any way.

The cover story on rate cuts (Gaining From Falling Rates, February 2015) was an informative article on what investors can expect in the coming days. There is little doubt that compared to the first three months of 2014, the first three months of 2015 have shown a lot of promise for the investors. The fact that banking and financial services will be one of the prime beneficiaries of the cut is encouraging news for the whole economy. No market, or economy, can think of doing well if bank NPAs keep rising. I am not sure if real estate will benefit at a similar level, though. While rate cuts might be passed to customers, the sector's problems are far too big for rate cut to have a clear impact. I believe that with the rate cuts, one sector that investors should consider investing in is auto. A lower cost of borrowing will definitely help the sector, which has suffered from high input costs for the past few years.

RAMESH NATH, *Delhi*

The story on tax-saving funds (Balancing Act, February 2015) was an interesting read. Most of the times, people look at tax-saving funds as just that: to save tax and nothing more. However, as the story shows, it is important to analyse factors like their exposure to small- and mid-cap stocks and their turnover ratio. As a rule, I never invest in funds which hold a lot of cash. A fund which is unsure about where to invest can never be a good fund in the long run. I also believe that despite the presence of all these funds, PPF remains the most effective way to save tax for most investors.

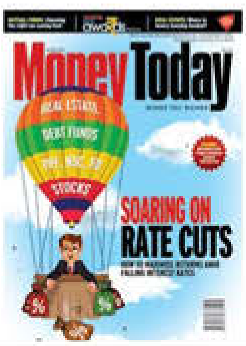
JP SHARMA, *Delhi*

The interview of Hemant Contractor ("Popularising NPS is bit of a challenge", February 2015) was a welcome read, and it was good to hear the PFRDA's chairman's view on the National Pension System. The government's stance on NPS has been far from clear. I am not sure if the previous governments gave much importance to the scheme. The step to tax it, while leaving PPF and EPF tax-free, meant that picking between NPS and PPF was a no-brainer. Why does the government want private players to market the scheme for such a low fee? I believe that sustained advertising, along with making the scheme completely tax free on the lines of PPF, are the only methods by which the PFRDA can popularise the scheme.

PRATAP SHARMA, *Chandigarh*

The story on asset allocation (Juggling Assets, February 2015) did a good job at highlighting investment options for passive investors. Despite a rising economy, I believe that investors will do well to stick to asset allocation funds for investment. I have been investing in Franklin India Dynamic Fund of Funds and it has given me good returns. I do, however, believe that these funds can only be an add-on to a portfolio, not its foundation.

ALIMUDDIN ANSARI, *Chennai*



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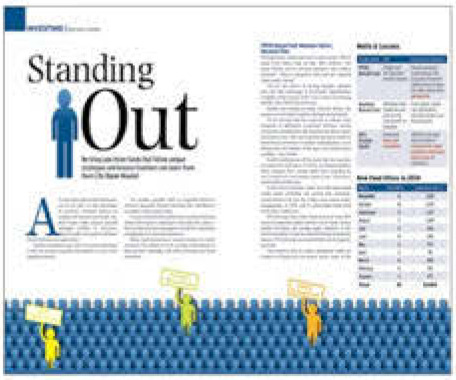
Handling Your Education Loan

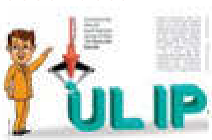
December 2014: As more and more people default on student loans, we tell you how to ensure hassle-free debt repayment. Read the story at **moneytoday.in/education-loan**

Standing Out



January 2015: Among a plethora of investing options, three funds follow unique strategies. To know the lessons you can learn from them, read the story at: **moneytoday.in/funds-strategies**

Cost Factor

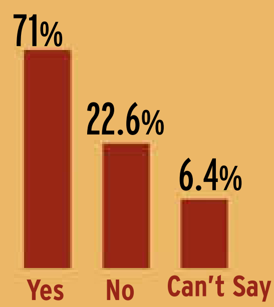


February 2015: New Ulips have lower costs than what many mutual funds charge. To know if it makes sense to invest in them, read the story at: **moneytoday.in/ulips-investment2015**

LAST MONTH'S QUESTION

Do you think the Budget has helped improve your finances?

Your Answer



A majority of readers believe that the unchanged tax slab has worsened their finances.

Conducted between 26 January and 16 February

Poll Question

Will the US rate cut majorly impact Indian markets?

☐ Yes ☐ No ☐ Can't Say

Log on to www.moneytoday.in to cast your vote.

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Tax Calculator
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Education Planning
Calculate how much you will need for your child's higher studies.

Asset Calculator
Plan your investments intelligently to meet future financial needs.

EMI Calculator
Know how much you will have to pay as monthly instalment on your loan.

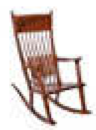

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Figure out how to maintain your current lifestyle after you retire.

To access the relevant story, type the headline in the search box on our Website www.moneytoday.in. So, to read stories on spending, type 'How to be a Smart Spender' or 'Your Financial Rights'.

NEW LAW SET TO ALTER INSURANCE LANDSCAPE

The Insurance (Amendment) Bill 2015, allowing increase in composite foreign investment cap for insurance companies from 26% to 49%, has been passed by Parliament. The cap includes foreign direct and foreign portfolio investments.

Under the new law, foreign investment up to 26% will be under the automatic route. Any increase beyond this will require approval from the Foreign Investment Promotion Board. The new law will replace an ordinance the government had promulgated on 26 December 2014 to increase the cap.

The industry is set to get more funds. Tarun Chugh, managing director and chief executive officer, PNB MetLife, says, "Increasing the FDI cap will deliver significant benefits to the Indian economy. At present, the capital deployed in the life insurance sector is close to Rs 35,000 crore. FDI (assuming 26%) is close to Rs 8,700 crore. At 49%, the sector stands to get additional Rs 7,800 crore."

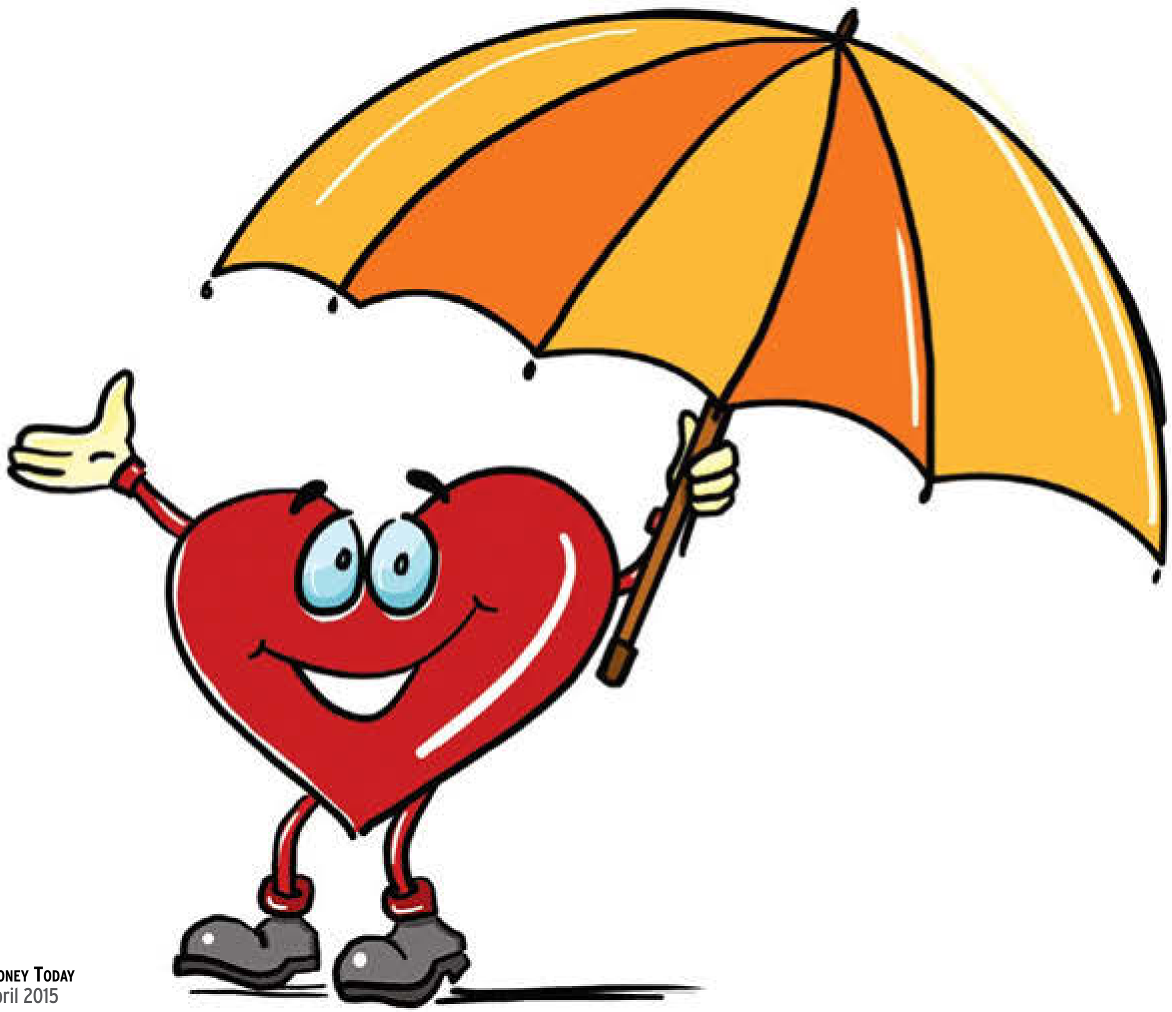

Illustration: PRAGATI

Experts say the industry needs long-term capital for growth which FDI can bring. Chugh says, "FDI will not only bring capital and foreign exchange immediately but also help companies in increasing managerial ability, technical knowledge, administrative organisation and innovation in products and production techniques."

A report from Khaitan & Co states, “We expect several existing foreign shareholders to increase stake in Indian insurance companies. This development is also expected to trigger the entry of new players in India's insurance and reinsurance sectors, which will also now get the attention of global private equity funds, sovereign wealth funds and other institutional investors.”

Experts say the industry will also be able to invest in innovative products. Sandeep Bakhshi, managing director and chief executive officer, ICICI Prudential Life Insurance, says, “The passage of the insurance Bill is a welcome development at many levels. It indicates the intent of the government to push forward the economic revival agenda. As India's insurance industry expands, it will need additional capital to build scale. The increased FDI limit will provide the much-needed flexibility to raise this capital. Customers, too, will benefit from better products and services.”

Anoop Pabby, managing director and chief executive officer, DHFL Pramerica Life Insurance, says, “The approval of the much-awaited insurance Bill is likely to bring another wave of growth and, hence, increase penetration in insurance. It will also give the industry the much-needed stability and enable it to focus on investing more in technology to revamp backend operations for smoother and better customer service. The industry will also be able to invest in better-researched and innovative products that will cater to the evolving needs of Indian customers.”

For policyholders it proposes that no life insurance policy should be called into question on any ground after a period of three years instead of the existing provision of two years. At present, the insurer can reject a claim even after two years in case of fraud and misrepresentation of facts. But now the insurer will not be able to challenge the policy after the end of three years. Under the new law you can also hold an insurer responsible for fraud by the agent. The Bill has provision for penalty of up to Rs 1 crore in case of fraud by agents. Private insurers have, however, expressed concern that it is too stiff and will discourage companies from expanding.

Winds of Change

- The insurance law will increase the foreign investment cap from 26% to 49%
- According to new provisions, the insurance company will not be able to challenge the policy after completion of three years
- To cater to the evolving needs of customers, insurance companies are expected to invest in better researched and innovative products
- Under the new provisions, insurers will be held responsible for frauds by agents
- Irdai could levy a penalty up to Rs 1 crore in case of fraud by agents
- Now, health insurance will be a new vertical. So far the insurance sector had only two branches--life and general insurance
- The Life Insurance Council and General Insurance Council have been made self-regulating bodies. They have been empowered to frame bye-laws for elections, meetings and for collecting fees, etc, from members
- The Bill entrusts the responsibility for appointing agents to insurers and provides for Irdai to regulate their eligibility, qualifications and other aspects

Moreover, so far the insurance sector had two branches, life and general insurance. But now there is a new vertical—health insurance. V Jagannathan, chairman-cum-managing director of Star Health and Allied Insurance, says, “The inflow of fresh capital will help us innovate with products and expand offerings to the last mile to serve the national health agenda. Among other things, the Irdai (insurance regulator) has now got powers to fix commission rates for selling insurance. Foreign re-insurance companies will also be allowed to directly engage in the re-insurance business in India."

According to Sandeep Patel, MD and CEO, Cigna TTK Health, as health insurance is clubbed with general insurance, it does not allow them (health insurers) to have long-term products. "The Insurance Bill defines health insurance as separate line of business and that would enable us to have long-term products," he says.

TRIVIA AND TELLING FIGURES

59.7%
was the contribution of households in total deposits with banks in 2014, according to the monthly bulletin released by the RBI

165
was the value of monster.com's employment index, a monthly gauge of the country's online job demand compared to 152 last year

11%
of individual assets in mutual funds as on January 2015 were direct investments, according to the Association of Mutual Funds in India

20,000tn
is the estimated stock of gold in India, and around 1,000 tonnes gold is imported every year, according to finance ministry data

LUKEWARM RESPONSE TO IPOs

The primary market started 2015 on a weak note as investors seemed to be wary of the recent initial public offerings (IPOs).

This was evident from the initial response to the public issue of Adlabs Entertainment, a theme park operator, which had to extend the closing date of its IPO and cut the issue price band as the share sale failed to attract enough bids.

The company reduced the price band from Rs 221-230 per share to Rs 180-215 per share and extended the closing date of the issue from March 14 to March 17. The IPO was fully subscribed on the last day of listing.

According to the data available with the Bombay Stock Exchange (BSE), the issue of 1.76 crore shares was subscribed 1.11 times. The retail segment was subscribed 1.37 times, while non-institutional investor and qualified institutional buyer categories were subscribed 0.49 and 1.17 times, respectively. The issue opened on March 10.

The share sale issue of NCML Industries, an edible oil firm, had to be called off after it failed to garner enough bids despite reduction of the issue price and extension of the closing date. The issue was supposed to close on January 5 but the company extended it for another five working days till January 9. The price band was also revised to Rs 80-90 from Rs 100-120. The issue was subscribed only 0.45 times.

Ortel Communications, a provider of cable television services, also met a similar fate. The company received bids for only 75% of the 94,42,575 shares offered through the IPO.

Stock market experts attributed the poor response to bad fundamentals of companies which came out with the issues and over-priced equity markets.

G Chokkalingam, founder, Equinomics Research and Advisory, says, "The primary market failed to attract investors due to stagnation in industrial economy and poor fundamentals of companies."

The BSE IPO index dipped 5% in the one-and-a-half month till March 13. The index tracks current primary market conditions in capital markets and measures growth in investor wealth for a period of two years after listing of a company subsequent to successful completion of IPO.

Mahesh Singhi, founder and managing director, Singhi Advisors, says, "The lukewarm response to the IPOs has baffled both market observers as well as retail investors as it happened when the market had been on a song, scaling new peaks."


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Contactless Card Purchases To Be Easier

You can soon be able to make transactions up to Rs 2,000 from credit/debit card without having to provide the card's personal identification number. The Reserve Bank of India (RBI) has came out with draft guidelines seeking removal of second-level authentication for such transactions.

This will only be applicable in case of contactless cards (cards which have a smart chip and uses radio frequency identification for payment) which use Near Field Communication (NFC) technology. Under this technology one is not required to swipe the card but has to touch the card with the payment machine.

According to an RBI statement, it have been receiving requests from customers and entities in certain niche segments indicating the need to foster innovative payment products/processes and for enhancing convenience in certain cases/type of transactions without the need for having the mandatory additional factor of authentication (AFA).

"This will help promote NFC and is a good testing environment to see how small transactions can be accepted without PIN. This is a precursor to other card transactions being allowed without PIN," says Siddharth Arora, CEO and Co-founder of ePaisa, a mobile payment ecosystem.

The relaxation will only be available to contactless cards which fulfil the EMV (Europay, MasterCard and Visa) standards. This relaxation will not be available for card not-present transactions. Simply put, the card holder has to be physically present while doing the transaction.

In case of transactions above Rs 2,000, it will be mandatory to have AFA. Under AFA, a one-time PIN is required to complete the transaction. These relaxations will not be applicable for ATM transactions as well irrespective of the transaction value.

The number of intervals (daily, weekly, monthly) at which these transactions could happen per card will be decided by the bank after consulting the customer. Also, banks will have the liberty to set a lower limit.

REGULATOR WATCH A look at recent rulings which can affect you

CAPITAL MARKETS

- In order to simplify the trading and demat account opening process of individual investors, the Securities and Exchange Board of India (Sebi) has come out with a simplified account opening form. It will be available with intermediaries and depositories. One can also download it from websites of exchanges and depositories. Sebi has also eased the KYC rules for individual investors. Now, the address of correspondence may not be the one where the investor is residing.

COMMODITIES

- According to the Forward Markets Commission (FMC), all members of commodity derivatives markets should be registered with any one or more Sebi-approved KYC Registering Agencies (KRA). The FMC has also asked members to upload the KYC details and documents of all existing trading clients by 1 December 2015

PENSION

- The Employees' Provident Fund Organisation (EPFO) has reduced the administrative charges of the EPF Scheme to 0.85% of wages from 1.10%. However, the minimum charges payable have been fixed at Rs 75 per month for every non-functional establishment having no contributory member and Rs 500 per month for other establishments. The minimum administrative fee of EDLI Scheme has been fixed at Rs 25 per month for every non-functional establishment having no contributing member and Rs 500 per establishment for other establishments. The revised charges are effective from 1 January 2015.

Rs 2,630 was the average monthly per capita consumer expenditure in urban areas in 2011-12

Banking on Mobility

Mobile wallet allows you to spend without swiping your debit/credit card. We bring you tips on how to use it safely | By **Teena Jain Kaushal**

Your phone and you are inseparable. It is your bank, GPS navigation device, watch, music player, and a lot more. It can be one more thing—your wallet.

Mobile wallet, which works like an electronic prepaid card, can be used to pay for things from grocery to rail tickets without the need to swipe debit/credit card. All you have to do is key in the username and password at the time of transaction.

To get started, you have to sign up for the app on your iOS (iPhone), Android or Windows phones. You can then load it with money either through debit/credit card or net banking. After this you can use it to transfer money, pay bills, book tickets and shop. Some apps can be used to pay at physical stores as well.

But how secure is the process? Amit Lakhotia, vice president, payments, Paytm, one such service,

says, “You need a username and a password to transact. Moreover, in case of any suspicious transaction, we quickly take action.”

Rajeev Ahuja, head of strategy, RBL Bank, says, “Mobile wallet allows you to do what your physical wallet does with more convenience, safety and simplicity and without the security hassles of credit/debit cards and internet banking. What this means is that you can top it up, empty it or use it to make purchases and transfer funds.”

With increase in the number of players, the business done through mobile wallets has been growing. According to a report by Crisil, transactions through mobile wallets have tripled over the last two years to Rs 2,750 crore a year. One reason for this growth is increase in use of smart phones. HDFC Bank, for instance, reported a five-fold jump in digital transactions from Rs 795 crore at the end of June 2014 to Rs 3,540 crore at the end of October 2014.

Nitin Chugh, head, digital banking, HDFC Bank, says, “Last year, 85% transactions took place though non-branch channels. Mobile and internet channels contributed 55%. We will launch our mobile wallet soon. It will be very different from what is already there in the market.”

The current services include Paytm, Oxigen, iKaaz’s MOWA (in partnership with DCB Bank) and RBL Bank’s Shmart (in partnership with TranServ). ICICI Bank also recently launched ‘Pockets’. Also in the fray are telecom service providers such as Vodafone Plc with m-pesa and Bharti Airtel with Airtel Money.

In a market where everyone from ecommerce websites to banks are launching payment solutions, choosing the right service provider can be a difficult. So, we offer a little help. But first, you must ask the right questions

PRE-PAID OR POST-PAID WALLET?

In pre-paid you load your phone with money either through debit/credit card or net banking. Many wallets also offer loading facility at physical stores. In post-paid wallets such as MOWA, your debit/credit card is linked with the wallet and money is deducted every time you make a transaction. In post-paid wallets your money does not lie with the provider. If you go for a pre-paid wallet, find out how is money transferred back to your account if left unused.

CLOSED OR OPEN WALLET?

Closed wallets are not linked to banks. Open ones are linked to banks and have a cash-out facility. This means you can withdraw money from the open wallet.

“When a customer returns any good, e-commerce aggregators generally refund money in the wallet, forcing him to spend the money through the wallet. He cannot withdraw that money. In open wallets, there is an option to cash out. Moreover, in case of a bank, it becomes a single wallet which can be used across ecommerce aggregators,” says Ahuja of RBL Bank.

HOW MANY TIE-UPS?

Earlier, mobile wallets were primarily used for mobile or DTH top-ups but now the bouquet of offerings has been expanded to include merchants, utilities and various other service providers. You should know how many merchants are part of the network.

Graphic by: ASIT roy

Surge in Volume of Mobile Banking Transactions

	OCTOBER 2014	SEPTEMBER 2014	CHANGE (%)
HDFC Bank	3540	3410	3.82
ICICI Bank	1417	1187	19.29
Axis Bank	1036	902	14.92
State Bank of India	878	781	12.36
Kotak Mahindra Bank	612	583	5.01
Citibank	309	280	10.41
Yes Bank	208	213	-2.15
Canara Bank	71	54	30.85
Union Bank Of India	62	60	4.79
Bank Of Baroda	45	44	4.16
ING Vysya Bank	30	31	-3.26
Punjab National Bank	23	20	15.42
Corporation Bank	19	15	26.03
HSBC	18	22	-19.32
Karur Vysya Bank	16	15	2.64

Figures in Rs crore; Source: RBI

Soma Sundaram, founder and chief executive officer, iKaaz Softwares, says, "Mobile wallets should also be used for retail payments. Through our app you will be able to pay using NFC. It is a huge value proposition for customers. We are doing remote utility bill payments by using the app and proximity (physical store) payment by using NFC. We have tie-ups with more than 9,000 merchants."

NFC, or near field communication, enables devices in proximity to each other to establish radio communication. It is mostly used for purchases in physical stores.

Mobile wallets use a variety of technologies such as 3G, Wi-Fi, NFC, QR (quick response) codes, and cloud. Though more and more stores are joining these networks, experts say big brands will take some time to come on board.

Lakhotia of Paytm says, "We have tie-ups with 18,000 merchants, including, Makemytrip, Fern N Petals and Uber. We are in the process of tying up with more."

Experts say mobile wallets can be used for various other purposes. "We are looking at location-based marketing. To explain, if you are passing a Gurgaon market and there is a coffee shop nearby that has signed up with the bank, the wallet may immediately throw a message that you will get a Rs 50 off if you spend at the shop," says Ahuja of RBL Bank.

VALUE PROPOSITION?

You need to opt for a wallet that gives most value. Take Starbucks, which launched its mobile card app in the US in 2009 in 16 stores. It became so successful that Starbucks expanded it nationwide. By rewarding customers for loyalty, the wallet was an instant hit among coffee lovers.

TRANSACTION LIMIT

Check out what are the restrictions before signing up for one. According to the Reserve Bank of India rules, the wallet limit is restricted to Rs 10,000 for a basic wallet and Rs 1 lakh for a KYC-compliant wallet.

COST FACTOR

The cost varies from wallet to wallet. Check out how much you are charged per transaction. Lakhotia says, "We charge around 2-5% to the merchant for the service. Users are charged only at the time of transferring money."

Mobile wallets are yet to pick up but they can certainly help you control expenses by making it easier to track expenditure. MT

@Teena_Kaushal

Adjusting the Portfolio

Illustration: RAJ VERMA

By Dipak Mondal

The Union Budget this year was not full of pleasant surprises—as it was last year—for individual tax payers and small investors.

Nonetheless, it proposed many big and small changes in tax rules that will impact your portfolio. We take you through the various tax proposals in the Budget that require you to rework your portfolio and suggest the best ways to carry out these changes.

NPS Carrot

You can claim an extra tax deduction of Rs 50,000 from next financial year if you invest in the National Pension System (NPS). This will help those in the highest tax bracket save Rs 15,450 a year.

This means NPS now offers three benefits for those who invest through their employer. Other than this new Rs 50,000 deduction, employee contribution till 10% of basic salary is eligible for deduction within the Rs 1.5 lakh Section 80C limit. The matching employer contribution is eligible for a separate deduction.

So, if your annual basic salary is Rs 5 lakh and you subscribe to corporate NPS, you can claim a deduction of Rs 1.5 lakh from NPS alone—Rs 50,000 employee contribution (up to 10% of salary) under Section 80CCD(1), Rs 50,000 employer contribution under Section 80 CCD(2), and another Rs 50,000 under the newly-introduced Section CCD(1B). Apart from this, you can claim another Rs 1 lakh deduction under Section 80C, whose limit was increased to Rs 1.5 lakh in last year's Budget.

Budget Bonanza: New Deductions

INSTRUMENTS/EXPENDITURE	PRE BUDGET	POST BUDGET	INCREASE
Contribution under the National Pension System	-	50,000	50,000
Mediclaim Premium			
(a) For self, spouse & children	15,000	25,000	10,000
(b) For parents	15,000	25,000	10,000
(c) If parents are senior citizens	20,000	30,000	10,000
(d) Deduction on account of preventive health check-up of self, spouse, dependent children or parents (within limits of a, b & c)	5,000	5,000	-
Expenditure on health of a very senior citizen where no amount is paid towards mediclaim premium	-	30,000	30,000
Travel allowance	9,600	19,200	9,600
Deduction for expenditure incurred on treatment of certain critical illnesses in case of very senior citizens	60,000	80,000	20,000
Deduction for suffering from disability or expenses incurred on disbaled dependents	1,00,000	1,25,000	25,000

Figures in rupees

The Budget also proposes to give salaried people the option to choose between Employee Provident Fund (EPF) and NPS. This means contribution to EPF will no longer be mandatory. The government will come out with further instructions—either through the PFRDA or the EPFO—on how employees can choose between the two.

PFRDA is Pension Fund Regulatory and Development Authority. EPFO is Employee Provident Fund Organisation.

"The implementation part will be cleared later. The employee will most likely have to get a Permanent Retirement Account Number from the pension regulator and give it to the employer. The employer will then deposit both its and employee's contribution to the NPS account," says Srikanth Meenakshi, director, fundsindia.com.

The aim of these changes is to encourage people to opt for NPS. The scheme has failed to catch the fancy of corporate employees and voluntary subscribers for whom it was thrown open in 2009.

What to do: If you are an NPS investor and have exceeded the Rs 1.5 lakh limit under Section 80C, you will become automatically eligible for the new deduction of Rs 50,000. Check if you are using the Rs 2 lakh limit fully—

Tax Slabs for 2015-16

For individuals below 60 years of age

	NEW TAX RATES (%)	EXISTING TAX RATES (%)
Up to Rs 2,50,000	0	0
Rs 2,50,001-5,00,000	10.3	10.3
Rs 5,00,001-10,00,000	20.6	20.6
Rs 10,00,001 to 1 Rs crore	30.9	30.9
Above Rs 1 crore	34.65	33.99

For individuals above 60 years but below 80 years

	NEW TAX RATES (%)	EXISTING TAX RATES (%)
Up to Rs 3,00,000	0	0
Rs 3,00,001-5,00,000	10.3	10.3
Rs 5,00,001-10,00,000	20.6	20.6
Rs 10,00,001 to Rs 1 crore	30.9	30.9
Above Rs 1 crore	34.65	33.99

For individuals above 80 years

	NEW TAX RATES (%)	EXISTING TAX RATES (%)
Up to Rs 5,00,000	0	0
Rs 5,00,001-10,00,000	20.6	20.6
Rs 10,00,001 to Rs 1 crore	30.9	30.9
Above Rs 1 crore	34.65	33.99

Rs 1.5 lakh under Section 80CCD (1) and Rs 50,000 under Section 80CCD (1B). If not, invest an additional Rs 50,000 to fill the gap in the Rs 1.5 lakh limit.

For example, if the amount invested in Section 80C instruments is Rs 1.6 lakh, including Rs 30,000 in NPS, you can claim deduction on the whole amount instead of Rs 1.5 lakh. However, given the limit of Rs 2 lakh, including Rs 50,000 in NPS, you can increase contribution to NPS by Rs 20,000 and put the rest Rs 20,000 in instruments such as public provident fund (PPF) that are eligible for deduction under Section 80C.

Corporate NPS subscribers can invest an additional Rs 50,000 over and above what they are already contributing.

However, if you have not opened an NPS account, do not start just because of the additional tax benefit. You must weigh the pros and cons of NPS and compare it with the other options.

NPS offers higher equity exposure—up to 50%. This gives it an edge over EPF. It is also more flexible than EPF in terms of portfolio composition. However, it is not easy to access NPS money. One can withdraw only 60% money at 60. The rest 40% has to be used to buy annuity. Withdrawal up to 25% of the corpus is allowed for

Tax Liability

Taxable Income Rs 5 lakh

	PRE BUDGET
Maximum deduction under Section 80CCD(1B) for contribution to National Pension System	0
Maximum deduction under Section 80D*	35,000
Transport allowance**	9,600
Income chargeable to tax for non-senior citizens	4,55,400
Income chargeable to tax for senior citizens and super senior citizens***	4,80,000
TAX PAYABLE	
Individuals below 60 years of age	21,156
Senior citizens (resident individuals between age of 60 years and 80 years)	18,540
Super senior citizens (resident individuals above 80 years of age)	0

Taxable Income Rs 10 lakh

Maximum deduction under Section 80CCD(1B) for contribution to National Pension System	0
Maximum deduction under Section 80D*	35,000
Transport allowance**	9,600
Income chargeable to tax for non-senior citizens	9,55,400
Income chargeable to tax for senior citizens and super senior citizens***	9,80,000
TAX PAYABLE	
Individuals below 60 years of age	1,19,562
Senior citizens (resident individuals between age of 60 years and 80 years)	1,19,480
Super senior citizens (resident individuals above 80 years of age)	1,19,480

Taxable Income Rs 15 lakh

Maximum deduction under Section 80CCD(1B) for contribution to National Pension System	0
Maximum deduction under Section 80D*	35,000
Transport allowance**	9,600
Income chargeable to tax for non-senior citizens	14,55,400
Income chargeable to tax for senior citizens and super senior citizens***	14,80,000
TAX PAYABLE	
Individuals below 60 years of age	2,69,469
Senior citizens (resident individuals between the age of 60 years and 80 years)	2,71,920
Super senior citizens (resident individuals above 80 years of age)	2,71,920

Tax Rate 10%

POST BUDGET	ADDITIONAL SAVING/(TAX)
50,000	
55,000	
19,200	
3,75,800	
4,70,000	
12,957	8,199
17,510	1,030
0	0

Tax Rate 20%

50,000	
55,000	
19,200	
8,75,800	
9,70,000	
1,03,165	16,398
1,17,420	2,060
1,17,420	2,060

Tax Rate 30%

50,000	
55,000	
19,200	
13,75,800	
14,70,000	
2,44,872	24,596
2,68,830	3,090
2,68,830	3,090

medical treatment, higher education and marriage of children and purchase of house. But first withdrawal is allowed only after 10 years. Only three partial withdrawals are allowed during the whole tenure. There has to be a gap of at least five years between each withdrawal.

"Lack of liquidity is a big negative. One must have access to the full money after maturity. Let the investor decide what he or she wants to do with the money. I always suggest people to invest in simple and flexible instruments. Discipline and not compulsion is the key to long-term gains," says Shilpi Johri, a certified financial planner and head of Arthashastra Consulting.

Tax on withdrawal is another concern, though PFRDA Chairman Hemant Contractor told *Money Today* that the regulator has raised the issue and the government has promised to examine it.

However, even if the lump sum received at retirement (60% of the corpus) is made tax-free, annuity payments will continue to be added to the income and taxed. However, some financial planners say this may not be a big issue.

"There is tax on withdrawal, which I believe will go. Apart from that, the basic exemption will be so high in future that annuities will become tax-free," says Kartik Javeri, director, Transcend Consulting .

Most financial planners say that mutual funds are the best way to save for retirement. The reason is that they offer a wide variety of schemes with different levels of allocation to equities and debt. Liquidity, too, is not an issue. As EPF money is invested in debt and offers a fixed return, one can invest in diversified equity funds and balance the portfolio.

"Don't get swayed by the Rs 50,000 tax deduction. Contribute to NPS only if you have sufficient cash," says Surya Bhatia, certified financial planner and principal consultant, Asset Managers, a financial advisory firm. Bhatia says NPS allows only 50% equity exposure, which may not be enough for people who are young and can afford to take more risk.

But someone in late 40s and in the 30% tax bracket can avail of this additional benefit as in his case the money will be locked in for a shorter period. He will save Rs 15,450 a year.

HEALTH INSURANCE

The deduction on premium paid for health insurance has been increased from Rs 15,000 to Rs 25,000. For

Taxable Income Rs 1.5 Crore

Maximum deduction under Section 80CCD(1B) for contribution to National Pension System	0
Maximum deduction under Section 80D*	35,000
Transport allowance**	9,600
Income chargeable to tax for non-senior citizens	1,49,55,400
Income chargeable to tax for senior citizens and super senior citizens***	1,49,80,000
TAX PAYABLE	
Individuals below 60 years of age	48,85,065
Senior citizens (resident individuals between age of 60 years and 80 years)	48,87,762
Super senior citizens (Resident individuals above 80 years of age)	48,87,762

**It is assumed that the parents of the individual are senior citizens; **deduction for transport allowance is allowed only to salaried individuals.*
****For the purpose of analysis, benefit of transport allowance and NPS is considered only in case of individuals below 60 years of age*
Figures in Rs

> TAX DEDUCTION IS A BIG CONSIDERATION **FOR BUYING HEALTH COVERS** AS NUMBER OF POLICIES BOUGHT RISES SHARPLY IN JAN-MARCH."
>
> **B SUBRAHMANYAM** HEAD, HEALTH UNDERWRITING, BHARTI AXA GENERAL LIFE

senior citizens, the increase is from Rs 20,000 to Rs 30,000. Therefore, one can now claim a total deduction of up to Rs 55,000 as against Rs 35,000 earlier. This will help those in the 30% tax slab save up to Rs 6,180 a year.

Senior citizens above 80 years of age, called very senior citizens, who are not covered by health insurance, are now eligible for a deduction of Rs 30,000 for healthcare spendings.

Deduction for expenditure on treatment of certain critical illnesses has been increased from Rs 60,000 to Rs 80,000 for very senior citizens. The illnesses covered are malignant cancer, AIDS, dementia, hemophilia, thalassaemia, Parkinson's disease and renal failure.

Deduction for those suffering from disability or paying for treatment of disabled dependents has also been increased by Rs 25,000.

What to do: Health-care costs have risen sharply over the years. Therefore, you need a comprehensive cover for you and your family members. Can the increase in deduction limit be an incentive to buy health insurance?

"We see a spike in the number of health insurance policies being bought in the last couple of months of the financial year. This is proof that tax deduction is a big consideration for buying health insurance," says B Subrahmanyam, head of health & commercial underwriting, product development and reinsurance, Bharti Axa General Life.

A Rs 3 lakh family floater for a family of two adults and two children, with the oldest member below 35, costs Rs 10,000-15,000. A Rs 5 lakh cover costs Rs 15,000-20,000. The increase in deduction is clearly an incentive to shift to the Rs 5 lakh cover.

"We expect customers to increase sum insured taking into account the high medical inflation," says Antony Jacob, chief executive officer, Apollo Munich Health Insurance.

The cover can be increased at the time of policy renewal. You can also buy a top-up cover. It kicks in after you exhaust the base cover and is cheaper. A top-up cover of Rs 10 lakh costs less than what you will pay for increasing your base cover from Rs 3 lakh to Rs 10 lakh.

For example, a Star Health family floater policy for a family of two adults and two children (with eldest member less than 35) costs Rs 10,511 for a Rs

Tax Rate 33%

50,000	
55,000	
19,200	
1,48,75,800	
1,48,70,000	
49,46,337	(61,271)
49,73,170	(85,408)
49,73,170	(85,408)

CITIZENS ABOVE 80 WHO ARE NOT COVERED BY MEDICLAIM ARE **NOW ELIGIBLE FOR A DEDUCTION** OF RS 30,000 ON HEALTH EXPENSES

THE AVERAGE SIZE OF HEALTH INSURANCE IS Rs 5 LAKH. **WITH INCREASE IN TAX DEDUCTION,** PEOPLE WILL OPT FOR HIGHER COVERS."

SOMESH CHANDRA
COO, MAX BUPA HEALTH INSURANCE

3 lakh cover and Rs 17,483 for a Rs 10 lakh cover. If instead of increasing the base cover from Rs 3 lakh to Rs 10 lakh one buys a top-up cover of Rs 10 lakh, taking the total cover to Rs 13 lakh, the additional cost is just Rs 6,405.

However, the top-up cover comes into play only when the threshold decided at the time of buying the cover is reached. If the threshold is Rs 3 lakh and the top-up cover is Rs 10 lakh, the latter will kick in only when the one-time hospitalisation cost crosses Rs 3 lakh.

You can also buy a critical illness cover. It is only for adults and covers serious diseases such as cancer and kidney failure. It pays a lump sum on diagnosis of diseases that are covered. A critical illness policy of Rs 10 lakh for two adults costs Rs 5,000-6,000.

There are also disease-specific covers such as for diabetes and surgery which can be used as add-ons.

"The average size of health insurance is Rs 5 lakh. With increase in tax deduction, people will feel encouraged to opt for a higher cover, which is the need of the hour given the escalating health-care costs and incidence of lifestyle illnesses. Since these tax benefits are for indemnity top-ups as well as fixed benefit critical illness plans, one can expect a surge in the number of consumers opting for these," says Somesh Chandra, chief operations officer and chief quality officer, Max Bupa Health Insurance.

SUKANYA SAMRIDDHI YOJNA

The Sukanya Samriddhi Yojna, launched this January to encourage people to save for girl child's education and marriage, has been made totally tax-free. This means both interest income and money received on withdrawal will not be taxed. The scheme was already eligible for deduction under Section 80C. This brings it on a par with the popular PPF as far as taxation is concerned.

However, it is offering a higher return of 9.1% compared to PPF's 8.7%. According to AK Chauhan, joint director and head of department, National Savings Institute, the Sukanya Samriddhi Yojna will continue to get preferential treatment. The National Savings Institute gives inputs to the Ministry of Finance in designing and launching new products. The account can be opened by parents and guardians of girl children (maximum two) up to 10 years of age. The maximum amount that can be invested is Rs 1.5 lakh a year.

NPS vs EPF

FEATURES	NPS	EPF
Lock-in	Till 60 years	Not applicable
Withdrawal	Allowed three times for specific purposes	Allowed for specific purposes
Equity exposure	Maximum 50%	No equity exposure
Annuity	40% of maturity proceeds have to be annuitised	Not applicable
Tax Benefit	Under Section 80C	Under Section 80C
Minimum Guarantee	Optional	Not applicable

Sukanya Samriddhi vs PPF

FEATURES	SUKANYA SAMRIDDHI	PPF
Min & Max deposit (Rs)	1,000 & 1,50,000	500 & 1,50,000
Number of accounts/person	Two	One*
Annual interest rate (%)	9.1	8.7
Premature withdrawal	50% when the girl turns 18	Allowed from 7th year
Maturity	After girl turns 21	After 15 yrs of a/c opening
Tax Benefit	Deduction allowed under Sec 80C; interest tax-free	Deduction allowed under Sec 80C; interest tax-free

**More than one account can be opened in the name of minors*

What to do: PPF was the only option other than EPF in the fixed income category which was not only eligible for tax deduction under Section 80C but also gave tax-free returns. Sukanya Samriddhi Yojna now joins the list.

You can invest a part of your money meant for fixed income securities in the scheme as returns are better than after-tax returns from fixed deposits, non-convertible debentures (NCDs) and tax-free bonds.

One can invest up to Rs 1.5 lakh in the scheme every year. Even if you have exhausted the Section 80C limit, you can still invest because returns are not taxed. This is especially true of those in higher tax brackets. For instance, if a person in the 30% tax slab invests in a bank fixed deposit offering 9.1% interest, his effective return after tax will be 6.3%. In Sukanya Samriddhi Yojna, it is 9.1%. If we consider the tax benefit, the effective yield for those in the 30% tax bracket is 13.17%. For PPF, it is 12.59%.

The scheme, however, has a long tenure and minimum maturity period of 11 years. The money can be withdrawn only after the child turns 21. Premature withdrawal up to 50% is allowed for higher education or marriage of the girl after she turns 18. Inability to access the corpus is a negative.

"The scheme certainly offers good returns compared to PPF but it cannot replace the latter simply because not everyone is eligible for investing in it. This is a new scheme and we have to see if it manages to attract enough inflows," says Vishal Dhawan, founder and chief financial planner, Plan Ahead Wealth Advisors.

SOVEREIGN GOLD BOND

The government has also announced the launch of sovereign gold bonds as an alternative to investing in physical gold. The bonds will carry a fixed rate of interest and will be redeemable at the gold's 'face value'.

While we don't know the structure of these bonds, it seems they will be like gold exchange-traded funds or ETFs. They will be pegged to the price of gold and also pay interest. Interest income and sovereign guarantee will make these an attractive investment, say experts.

While each unit of gold ETF is backed by one gram

Cost of Health Insurance

For a family of two adults (both members above 60 years)

	BASE COVER	PREMIUM FOR BASE COVER	PERMIUM FOR CRITICAL ILLNESS	TOP-UP OF RS 10 LAKH
Apollo Munich Easy Health Family Floater	3 lakh	23,228	20,299	31,759
	5 lakh	31,590	23,831	25,433
Max Bupa Health Companion Family Floater	3 lakh	22,749	15,327	22,803
	5 lakh	30,330	NA	19,004
Star Health Family optima	3 lakh	24,433	13,034	NA
	5 lakh	29,326	21,910	NA
Religare Health Care	3 lakh	33,712	NA	24,665
	5 lakh	34,737	43,543	20,892
Cigna TTK ProHealth	3.5 lakh	33,101	NA	67,528
	5.5 lakh	49,528	NA	NA

For a family of two adults and two kids (with eldest member below 35 years)

	BASE COVER	PREMIUM FOR BASE COVER	PERMIUM FOR CRITICAL ILLNESS	TOP-UP OF RS 10 LAKH
Apollo Munich Easy Health Family Floater	3 lakh	9,309	986	7,028
	5 lakh	12,660	1,643	6,674
Max Bupa Health Companion family floater	3 lakh	10,218	1,706	10,556
	5 lakh	13,744	NA	8,805
Star Health Family optima	3 lakh	10,511	6,607	6,405
	5 lakh	13,876	9,438	4,381
Religare Health Care	3 lakh	10,791	NA	6,626
	5 lakh	12,180	2,418	6,120
Cigna TTK ProHealth	3.5 lakh	11,225	NA	7,442
	5.5 lakh	18,742	NA	NA

Figures in rupees *Critical illness cover is same as the base cover; Premium for two adults has been considered for critical illness*
Source: Company websites

of physical gold, sovereign bonds will not be backed by gold. This way their issuance will not involve import of gold. Gold imports are one of the reasons for the country's high current account deficit. The aim of the move is to curb gold imports.

Should you invest?: Though there is need for clarity on a lot of points, from the look of it sovereign gold bonds look like another version of gold ETFs with both sovereign guarantee and interest income.

Even if the interest rate is 2-3%, the bonds will be better than gold ETFs, which track the value of gold, which may go either way.

"This is a potential threat to gold ETFs. We are yet to know how the final product will be but looks like it will give competition to gold ETFs," says Lakshmi Iyer, head of products, Kotak Mutual Fund.

As far as taxation is concerned, debt instruments such as NCDs and tax-free bonds are more tax efficient than debt funds as profits from the former after one year are considered long-term capital gains and taxed at 10% without indexation and 20% with indexation. Profits from debt funds held for less than three years are considered short-term capital gains and taxed as per the individual's tax bracket. Long-term capital gains are

taxed at 20% with indexation. If the same tax rule applies to gold bonds, they will become more tax-efficient than gold ETFs, which are taxed as debt funds.

ABOLITION OF WEALTH TAX

The government has abolished wealth tax and instead levied an additional surcharge of 2% on people earning more than Rs 1 crore a year.

Wealth tax of 1% was levied on assets such as real estate, jewellery, car and yatch valued above Rs 30 lakh. But one residential property was exempt. Property used for business or given on rent was also exempt.

How it impacts you: The first set of people who gets 'relief' are those who were unaware that they are liable to pay wealth tax. This could lead to unintended consequences given that the income tax department has been tracking not just individuals' income but their assets as well.

If caught on the wrong side of the law, you could have received income tax notices seeking a lot of information. The process could be cumbersome.

"We have not seen many case where people have been served notices for non-payment of wealth tax, but the income tax department has become aggressive in capturing information about assets of individuals," says Dhawan of Plan Ahead.

Then there were people who were aware of the wealth tax liability and had to go through a lot of trouble to get the jewellery, house, car, etc, valued. They will be saved from the hassle.

TIGHTER COMPLIANCE

There are many other smaller changes that will have a significant impact on your portfolio and the way you take investment decisions.

For example, recurring deposit schemes, which were exempt from tax deducted at source (TDS), will attract TDS if annual interest payment is more than Rs 10,000. TDS is deducted at a rate of 20% if the depositor does not furnish his Permanent Account Number or PAN. Otherwise, tax is deducted at the prevailing rates.

Earlier, during premature withdrawal from EPF, tax was deducted by the trustee of the fund. Now, the government has shifted the responsibility to employees. So, instead of full tax deduction, the trustee will deduct only 10% tax at the time of payment. However, if an individual is in 20% or 30% tax brackets, it will be his responsibility to pay the additional tax.

The Budget has also made quoting of PAN mandatory for any purchase or sale exceeding Rs 1 lakh. These changes shift the accountability of compliance to individuals. MT

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More Clarity On REITs

Finance Minister Arun Jaitley has tried to clear the ambiguity over taxation of Real Estate Investment Trusts (REITs).

Now, there will be no capital gains tax on exchange of shares of the special purpose vehicle (SPV), which will hold the assets, for units of REITs. This will not be regarded as a transfer. "In respect of REITs and infrastructure investment trusts, it is proposed to provide that the sponsor will be given the same treatment on offloading of units at the time of listing as would have been available to him if he had offloaded his shareholding of the SPV at the stage of direct listing," says Shrinivas Rao, CEO-Asia Pacific, Vestian Global Workplace Solutions, a real estate consultancy.

"This will create an alternative funding opportunity for the sponsor since this tax treatment is on a par with raising of funds through IPOs," says Hemal Mehta, senior director, Deloitte India.

The Budget has proposed that the rental income earned by REITs from owning assets directly will be considered a pass-through and will be taxable in the hands of unit holders. However, experts believe there is still ambiguity over applicability of minimum alternate tax and dividend distribution tax.

In last year's budget, a step was taken to encourage REITs by providing them partial pass-through status. REITs were notified in September last year. But experts were worried about the ambiguity in taxation status. The taxation framework for REITs introduced in 2014 resulted in deferral of tax on capital gains from transfer of shares of an asset-holding SPV to REIT in exchange for units of REITs until disposal of the relevant REIT units.

REITs pool in money from different people, just like mutual funds, and invest in properties that generate income. The units are listed on exchanges and traded like stocks. They invest in revenue generating commercial properties such as shopping malls and office buildings. They provide small investors an option to invest in commercial real estate, which is otherwise difficult due to the high investment involved. The price of one unit of REIT is Rs 2 lakh. REITs will bring liquidity in the real estate sector by helping developers raise funds. They will also provide an exit option to investors like private equity and venture capital funds.

Upward Move

The Budget will be good for many sectors despite lack of big-bang announcements | By **Tanvi Varma**

Illustration: RAJ VERMA

Union Budget 2015-16 was the first full-year Budget of the Narendra Modi government and, therefore, one of the most anticipated events for capital markets and investors. But did it live up to the hype and hope that stock analysts and investors had built in the run-up to the event that was expected to be a launch pad for big reforms?

"The Budget provides tailwinds for growth, which will translate into demand recovery and, hence, earnings growth for companies," says Aashish Somaiyaa, CEO, Motilal Oswal AMC.

The Budget had no big announcements, which explains the see-saw movement of stock markets on the day it was tabled in Parliament.

Anand Rathi Financial Services Chairman Anand Rathi says the Budget did not aim for big changes but focused on easing conditions for businesses and recognised the need for big public spending to start the investment cycle.

This is seconded by Anand Radhakrishnan, CIO, Franklin Equity. The Budget, he says, is the government's revenue and expenditure statement and gives policy direction to companies. "The government seems to be focusing on improving the country's infrastructure. It has taken many steps for that, including a big outlay for roads and railways."

The increase in Plan spend by Rs 1.5 trillion (1.1% of GDP), after a weak 2014-15 when it was cut to meet fiscal deficit targets, is a positive. Dhananjay Sinha, head, Institutional Research, Emkay Global Financial Services, says the Budget has a lot for the infrastructure sector, especially roads and railways. It has also announced the setting up of a National Investment and Infrastructure Fund (NIIF) with annual contribution of Rs 20,000 crore. "These measures could have a ripple effect across allied sectors. Sectors leveraged to resurgence in domestic investment and capital expenditure will see some recovery in 2015-16," says Franklin's Radhakrishnan. "The biggest gainers will be construction, cement, steel and commercial vehicle companies," says Ravi Shenoy, AVP, Midcaps Research, Motilal Oswal Securities.

"Announcement of five new ultra mega power projects, each 4,000 Mw, in the plug-and-play mode will create a lot of opportunities for generation equipment players as well," says Pankaj Pandey, head of research, ICICI Securities.

Also, the move to reduce the corporate tax rate from 30% to 25%, though over the next four years, will improve corporate profitability.

"The Budget also has proposals to convert gold into financial savings, simplify Real Estate Investment Trusts (REITs) and discourage cash transitions," says Pandey of ICICI Securities. "Other reforms include a bankruptcy law that will reduce non-performing assets (NPAs) of banks," he says.

Further, distinction between different types of foreign investment, especially foreign portfolio and foreign direct, has been done away with. This will be positive for many companies wanting to attract money from foreign investors.

WHAT NEXT?

All eyes are now on impact the Budget will have on corporate earnings and, hence, stock markets. Sinha of Emkay says the Budget has done little for corporate earnings in the immediate term. Hence, market valuations are looking high, he says. That's why stock markets have seen a mild pullback after the Budget.

Sinha wants to focus on select themes, especially the road sector, and bigger players in the construction space. "In the banking sector, private sector banks will continue to be the winning theme. Government banks will lag due to modest recapitalisation support in the Budget," he says.

Pandey of ICICI is bullish on sectors focused on the domestic market such as automobile, cement, capital goods and banking. He says defensive sectors like fast moving consumer goods, pharmaceutical and information technology could perform in line with broader markets. He maintains his December 2015 Sensex and Nifty targets of 32,500 and 9,750, respectively.

Ridham Desai, MD and Head of Research, Morgan Stanley, estimates 24% a year growth in Sensex earnings in the coming two years. He is overweight on private sector bank, industrial, consumption and technology themes.

An analysis by Kapil Bali, CEO,YES Invest, suggests the Nifty has given negative returns in six months after the Budget on just three out of past 12 occasions. "Given that this time returns will be driven by improvement in earnings, we can expect long-term returns to exceed the average by a wide margin," he says.

SECTOR IMPACT

Automobile

The Budget's focus on roads, farm credit and savings are positive for the sector. Higher farm credit will improve rural incomes and, in turn, increase demand for tractors and two-wheelers. The new tax exemptions will increase savings and so demand for two-wheelers and cars.

Reduction in the rate of corporate tax and rationalisation of tax exemptions will be good for

BHEL
RECOMMENDED BY
Motilal Oswal

CMP: Rs 255

This Navratna PSU sells equipment to power generation, transmission and distribution companies. Power reforms will improve the condition of state electricity boards, which will then be able to invest in capacity building, helping BHEL. Power generating companies also stand to gain access to raw material from the recent auction of coal blocks. More clarity on cash flow should trigger a re-rating of power and power equipment companies. BHEL, with solid order book, will be a key beneficiary of the proposed increase in spending on the power sector.

IDFC
RECOMMENDED BY
Kotak Securities

CMP: Rs 167

IDFC is well-placed to gain from higher spending in the infrastructure sector. Its asset quality is best in class. It has a sufficient provisioning buffer (3.9% of loans) for bad assets. Low exposure to the power sector and adequate capital make it a low-risk play. Falling cost of funds can be a catalyst for the stock.

UltraTech Cement
RECOMMENDED BY
Motilal Oswal

CMP: Rs 2,886

The erstwhile cement division of L&T Ltd is a subsidiary of Grasim, a part of the Aditya Birla Group. After merger of Grasim's cement business, it is now India's largest cement company. Capacity utilisation will rise to 85%-plus levels in the next three years. Lower diesel prices will ease pressure as transport accounts for 15% cost of cement companies. Revenues are expected to grow at 20% a year and earnings at 38% a year between 2013-14 and 2016-17.

L&T
RECOMMENDED BY
Motilal Oswal

CMP: Rs 1,683

India's largest engineering & construction company works on projects in road, port, railways and power sectors. Apart from its core construction activity, L&T has made significant inroads into a diverse range of products and services through subsidiaries and joint ventures in power, forging and shipbuilding sectors. It is the best stock to play the infrastructure theme. Motilal Oswal estimates that earnings will double between 2014-15 and 2016-17.

TOP PICKS

companies that pay higher taxes.

Banking & Financial Services
Many companies will gain from a lower corporate tax rate. This is especially true of private sector banks for whom the effective average tax rate was more than 30% in 2013-14; for public sector banks, it was 27%.

The removal of distinction between foreign portfolio and foreign direct investments means that the total foreign investment limit will become 74%. This will be positive for banks in which foreign institutional investors want to increase stake beyond 49%.

The setting up of autonomous bank boards and new bankruptcy law will go long way in helping PSU banks reduce NPAs. On the negative side, there is risk that relaxation of the fiscal deficit target will delay rate cuts by the Reserve Bank of India. This is because higher government spending is inflationary. This could push up bond yields and, hence, hit banks that hold a lot of bonds in their portfolios. The capital injection of Rs 7,940 crore in government banks is much less than what these banks need.

Cement
Higher spending on infrastructure will help cement companies. Around 60% cement demand is accounted for by housing, 20% by infrastructure and 20% by industrial activity. There are a few negatives for the sector too. For example, the clean energy cess will increase power & fuel costs.

Consumer Sector
Increased tax savings and higher spending in rural areas will push up demand for consumer goods. Under the Housing for All by 2022 scheme, the country will have to build 20 million houses in urban areas and 40 million houses in rural areas. This will be good for paint companies. Reduction in the corporate tax rate

Maruti

RECOMMENDED BY
Kotak Securities, Emkay & Karvy

CMP: **Rs 3,657**

Economic recovery is likely to push up passenger car sales. Volumes may grow at a healthy pace over the next two-three years. Recovery in demand for small cars and new launches will drive volume growth. Margins are expected to get support from yen depreciation, lowering of discounts over the medium term and operating leverage from volume growth

ICICI Bank

RECOMMENDED BY
Emkay

CMP: **Rs 330**

ICICI Bank is seeing healthy loan growth of 12% and net interest margins of 3.4%. It is also well-capitalized. This means it will be able to absorb further asset quality shocks and exploit future credit growth opportunities. Also, removal of the distinction between FII and FDI and replacing them with composite caps will give the bank more headroom to raise equity capital from foreign investors. Pick-up in infrastructure building activity and reduction in interest rates will add to the bank's income.

JK Lakshmi Cement

RECOMMENDED BY
Prabhudas Lilladher, Centrum Broking

CMP: **Rs 384**

Focus on infrastructure and housing sectors will improve cement demand. The company is increasing capacity from seven million tonnes to 10 million tonnes with most incremental capacity coming up in the east, the most profitable region. It is also consolidating in Gujarat. The valuation, on the basis of enterprise value per tonne, of $95 is reasonable and poised for re-rating. Profit after tax is expected to grow at 27% a year between 2014-15 and 2016-17.

Asian Paints

RECOMMENDED BY
Karvy

CMP: **Rs 835**

The government's target of building 20 million houses in urban areas and 40 million in rural India by 2022 will benefit paint companies. Although recent volume growth (2% YoY) is muted, the demand for industrial paints is improving. Growth is expected to pick up in the coming quarters. Falling input costs and demand growth will drive margins.

CMP is current market price as on March 19

and phasing out of exemptions are positive for FMCG companies, most of which pay tax at the maximum marginal rate of 30%.

Efforts to increase rural wages, for instance through increase in allocation for the rural job scheme, is also positive for most FMCG companies which focus on rural markets.

Engineering & Capital Goods

The sector is pinning hope on getting more orders as the government works out ways to get the infrastructure sector going. The increase in infrastructure spending by Rs 70,000 crore and Rs 25,000 allocation for the Rural Infrastructure Development Fund (RIDF) will expand the order book of construction and infrastructure companies.

The increase in pace of award of road contracts will benefit engineering, production and construction players in the road sector. The sector will also benefit from reduction in the corporate tax rate. One negative is increase in the clean energy cess on coal.

Health Care & Information Technology

The decline in the corporate tax rate will benefit companies with higher effective tax rates. The tax rate on royalty earned on rendering technical services will now be 10% instead of 25%. Higher depreciation will be allowed for setting up manufacturing units in Andhra Pradesh and Telangana. IT companies could gain from the plans to build smart cities and digitise India.

Real Estate

The Budget has eased rules regarding REITs. It seeks to rationalise the capital gains regime for sponsors exiting at the time of listing subject to payment of Securities Transaction Tax. Further, rental income from assets directly held by the REIT is proposed to be taxed in hands of unit holders. MT

@vtanvi

Little To Cheer

The Budget announced a slight increase in expense ratio, while distributor business may suffer due to its inclusion in the service tax list | By Renu Yadav

A number of investors and experts in the mutual fund industry had high hopes from the Union Budget. However, it will not be an exaggeration to say that the Budget offered a mixed bag to mutual fund investors.

It was not as if there was nothing to cheer—one of announcements in the Budget was removal of capital gains tax in case of merger of two mutual fund schemes. Until now, for taxation purposes, when a mutual fund scheme was merged into another, it was considered as sale of units of the existing schemes and purchase of units of the surviving scheme. This resulted in a tax obligation for the investor despite the fact that there was no actual sale. If the investor invests in an equity scheme for less than one year, he has to pay 15% short-term capital gains tax. Gains after a year, which are considered long-term capital gains, are tax-free in case of equities. In case of debt-oriented funds, gains arising out of sale of units before three years are considered short-term capital gains and added to income while gains after three years are considered as long-

term and taxed at the rate of 20% post indexation.

The guidelines further state that after the merger, if an investor sells units of the new merged scheme, then his capital gains liability will arise depending on his original investment date and not from the date of the merger.

Experts have welcomed this move. "This is a move in the right direction as investors were unnecessary taxed in case of merger but I don't think it will lead to a large number of mergers happening in future," says Waqar Naqvi, CEO, Taurus Mutual Fund. This change is also in line with the Securities and Exchange Board of India's (Sebi's) objective of facilitating consolidation in the industry. Sebi has been asking fund houses to merge identical schemes in order to reduce duplication. Over a period of time, Sebi has eased merger norms to make it easier for fund houses to merge schemes (See *Number of Equity Scheme Merged*). In 2010, Sebi exempted fund houses from giving the exit option to investors of the surviving scheme if they could convince investors that the merger and consolidation will not lead to a fundamental change in the surviving scheme.

The last few years have witnessed a large number of mergers. In the past five years, 76 equity funds of various fund houses have been merged (See *Mergers Across Categories*).

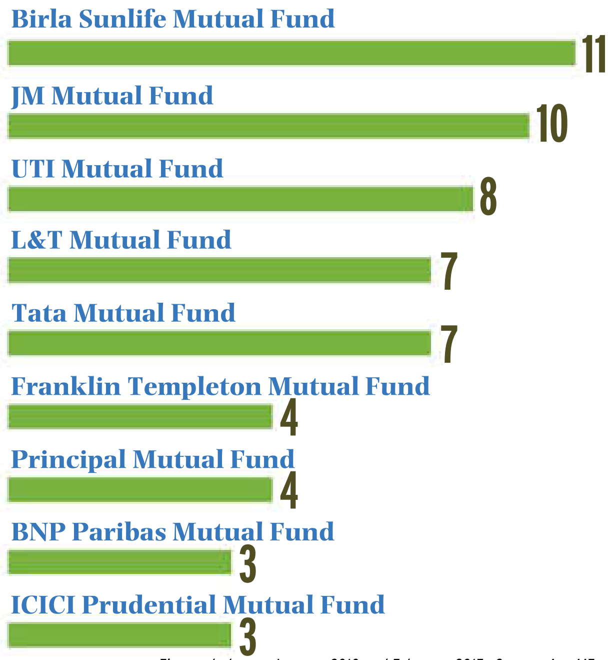
LOWER DIVIDEND IN NON-EQUITY FUNDS

Now, you will receive a smaller dividend as the surcharge on the income distributed by mutual funds has been raised from 10% to 12%. While this will not impact equity funds as there is no dividend distribution tax (DDT) on dividends declared by equity funds, it will affect debt-oriented funds. In case of debt-oriented funds, DDT will now be 28.84% (25% +12% surcharge +3% cess) instead of 28.33% earlier for individual investors. For corporate investors, the DDT will be 34.61%.

INVESTOR EXPENSES TO RISE

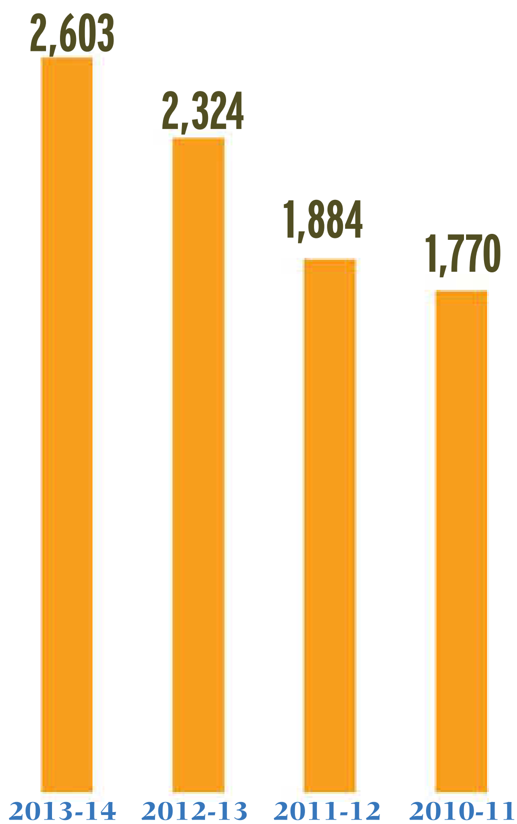
Another announcement which will negatively impact gains of mutual fund investors is the increase in service tax from 12% to 14%. There is an additional 2% education cess and 1% senior and higher education cess, which increases the effective rate from 12.36% to 14.42%. The increase in service tax is likely to raise the overall expense ratio. In September 2012, Sebi allowed asset management companies to pass on the burden of service tax to investors by allowing them to charge service tax over and above the total expense ratio limit of 2.5% in case of equity funds. Service

No. of Equity Schemes Merged



Figures between January 2010 and February 2015; Source: Ace MF

Distributor Commission



Figures in Rs crore; Source: AMFI

tax is charged on the management and advisory fees charged by the asset management company. So, assuming that an AMC charges 2.5% as expense ratio and the management fee is 1.50%, the service tax of 14.42% will take the overall expense ratio to 2.68%.

MUTUAL FUND DISTRIBUTORS TO PAY SERVICE TAX

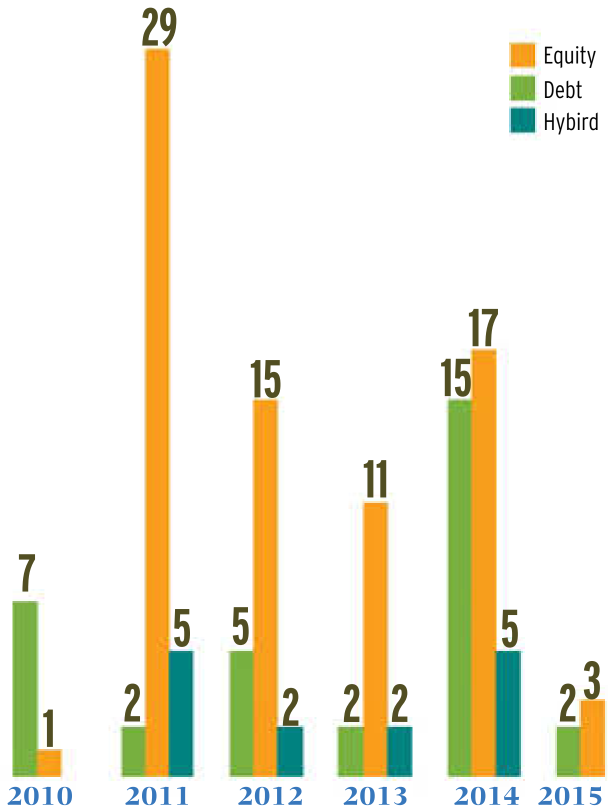
Another significant announcement was the removal of distributor commission from the service tax exemption limit. This is going to impact earnings of distributors significantly. If a distributor falls in the highest tax bracket, then he will have to pay 30% plus 14.42% service tax (14% service tax plus 2% education cess and 1% senior and higher education cess) as tax. The total tax on their revenues will be around 44.42%, which is likely to be a sizeable amount.

Will they be able to take the burden or we will see people move out of the distribution business? Or will asset management companies take the burden of service tax? "Distributors feel that the burden should be borne by asset management companies as they take their services to promote and sell their products. Although it may be possible for some of the big AMCs, small asset management companies may not be able to take the burden," says Jitendra Solanki, a Sebi-registered investment advisor.

Other experts do not welcome this step. "In the Budget of 2013-14, the distributor's commission was exempted from service tax to aid the growth of distribution industry, which was reeling under the pressure of low sales and entry load ban. The removal of the exemption is a premature step. It will negatively impact the distribution industry," says Manoj Nagpal, CEO, Outlook Asia Capital, a wealth management firm. Srikanth Meenakshi, director, Fundsindia, adds, "The increase in service tax will dent our earnings. However, it is not clear how the tax would be paid—whether we would pay it ourselves or mutual funds would withhold it on our behalf. We will have to wait for further clarification," he says.

However, Jimmy Patel, CEO, Quantum mutual fund believes this is a cash flow issue and will not have much impact as distributors can set off the service tax paid on revenues with service tax paid on expenses. Tapati Ghose, partner, Deloitte Haskins & Sells LLP says this may reduce earnings of distributors and AMCs. "The service tax in respect of mutual fund agent and mutual fund distributor services shall be paid by the asset management company. They have introduced reverse charge mechanism like insurance providers and AMCs will have to pay service tax and not distributors/agents," she says. "This is done to increase tax compliance and reduce the tax collection cost. It has been decided to bring these services under the reverse charge mechanism wherein the liability to pay service tax has been shifted from agents to AMCs," she adds.

Mergers Across Categories



Source: ACE MF

IMPACT ON SEBI-REGISTERED ADVISORS

These are advisors who have registered themselves with Sebi and don't receive any commission from AMCs. As per Surjit Mishra, executive vice president, national head, MF, Bajaj Capital, "There will be no impact on such advisors". As per the service tax rule, one is liable to pay service tax if the revenue from the business is above Rs 10 lakh per annum. So, advisors who made more than Rs 10 lakh were already paying service tax and nothing changes for them. MT

@moneyrenu

Illustration: RAJ VERMA

Encashing Gold

Govt has announced a slew of schemes to help you monetise your gold holdings

| By Rahul Oberoi

The government is planning a scheme under which you will be able to monetise gold and earn interest on it.

"The scheme will allow depositors of gold to earn interest in their metal accounts and jewellers to obtain loans in their metal accounts. Banks and other dealers will also be able to monetise gold," Finance Minister Arun Jaitley said while announcing the gold monetisation scheme in his Budget speech.

FINER POINTS

Though the details are not yet out, the scheme will most likely treat gold deposits like fixed deposits. The interest earned will be paid in gold. Customers will be able to open add-on metal accounts with their banks. The gold could be deposited for a fixed period, with a rollover facility similar to what is offered in rupee fixed deposits. The interest rate will depend on market conditions. Banks will probably be able to lend this gold to jewellers or deposit it with the Reserve Bank of India.

Rajesh Khosla, managing director, MMTC-PAMP India, explains. "To avail of the scheme, customers with bank accounts will have to apply for add-on accounts, which will be in gram(s) of gold. Whether coin, bar or jewellery, all gold brought to the purity verification centre will be melted to determine its purity." MMTC-PAMP is one of the world's most advanced gold and silver refining and minting facilities. It is a joint venture between India's MMTC and Switzerland's PAMP SA, a part of the MKS group.

After melting, the gold will be credited to the customer's metal account. A bank-designated refiner will then convert it into a bar for further use by the bank.

Khosla says, "It will give investors (even those who have less gold) an opportunity to earn interest on the metal. The gold can be deposited for a

fixed tenure. The rate of interest is expected to be 2-3% depending upon how the scheme is structured.”

But how is this scheme different from the gold deposit scheme (GDS)? The GDS was formulated in 1999 to mobilise the country’s idle gold for productive use. Under it, the minimum gold required is at least 500 gram. In gold monetisation scheme, investors will be able to deposit gold in much smaller quantities.

SOVEREIGN GOLD BOND

Jaitley also proposed the development of Sovereign Gold Bond as an alternative to physical gold. The bond will carry a fixed rate of interest and be redeemable in cash (face value of the gold).

The bond will be pegged to the prevalent gold price. It will also pay a fixed interest and thus become more attractive than physical gold. So, the investor will benefit from price appreciation and also earn interest.

“These are being launched to reduce gold consumption. At the same time they will give people an avenue to invest in gold without holding it physically. We believe these bonds may offer an interest rate of 5-6% to entice investors. I don’t think these bonds will involve holding of physical gold. I think they will be made tax-free to attract investors,” says Chirag Mehta, fund manager, commodities, Quantum AMC.

Vikaas Sachdeva, chief executive officer, Edelweiss Asset Management, explains the difference between sovereign gold bonds and gold exchange-traded funds or ETFs. “While both instruments–sovereign gold bonds and gold ETFs–are designed to track gold prices, they are different in the sense that gold bonds pay additional interest over the term of the investment. ETFs also charge a fee from investors.”

“Prices of gold will not be affected till the policy is out,” says Jayant Manglik, president, retail distribution, Religare Securities.

INDIAN GOLD COINS

Jaitley also suggested the development of an Indian gold coin carrying Ashok Chakra. The aim is to reduce demand for coins minted outside India and recycle gold available in the country. The government may use the monetised gold to mint the proposed coins.

Vimal Patel, chairman and managing director, Suwarnsparsh, says, “Apart from discouraging import of gold coins and promoting ‘Make in India’, minting of gold coins will be possible with the amount of yellow metal deployed by depositors in lieu of sovereign gold bonds. This will control the current account deficit.”

Gold Imports (in tonnes)

Source: World Gold Council

> WE BELIEVE THESE BONDS MAY OFFER AN INTEREST RATE OF 5-6% TO ENTICE INVESTORS. I DON’T THINK THESE WILL INVOLVE HOLDING OF GOLD.”
>
> **CHIRAG MEHTA** FUND MANAGER, COMMODITIES, QUANTUM AMC

IMPACT ON ECONOMY

India is one of the largest consumers of gold in the world. It imports 800-1,000 tonnes gold in a year. These imports have in the past resulted in the problem of current account deficit, leading to weakening of the Indian currency. Aviral Gupta, independent investment strategist, says, “Conservative estimates show that if only 30% gold held by households is monetised, its value may be as much as $5 billion. It will be a game changer as it will incentivise banks to hold gold in deposits as part of the mandatory cash reserve ratio or the statutory reserve ratio, freeing up resources for productive purposes.” MT

@iamrahuloberoi

Steps In The Right Direction

The importance of dealing with the problem of black money has been visible in the Government's agenda, with the issue being mentioned during the presentation of the Union Budget too.

A two-pronged approach to curb black money is on the cards—the first deals with black money stashed overseas. While some ground work has already been executed in this regard, there are promises of more to follow. The second is on tackling domestic black money. Comprehensive laws are expected to emerge in the near future based on press statements made recently by senior personnel in the Ministry of Finance.

COMPREHENSIVE BILL TO BRING BACK BLACK MONEY STASHED ABROAD

The Foreign Exchange Management Act (FEMA) regulations allow Indian residents to invest overseas. Further, investments made overseas while an individual was a non-resident Indian can also be held overseas after repatriation. However, the source of these investments should have been taxed as prescribed by the Indian tax laws. Moreover, the income generated from such investments must also be taxed in the hands of residents. In order to have a sight on such assets overseas, suitable disclosure needs to be made in tax returns filed by residents. The Government had introduced reporting of foreign assets by resident and ordinarily residents in The Finance Bill, 2012. The reporting requirements were comprehensive and included financial interest in any entity or signing authority in any account outside India. However, investigations carried out by the tax authorities revealed lax compliance with the law and it was perceived that harsher measures were required. A comprehensive Bill, introduced in the Budget session of the Parliament,

takes steps in this regard by including a slew of measures to rein in black money. The Bill aims to make concealment of income and assets and evasion of tax in relation to foreign assets prosecutable with rigorous imprisonment up to 10 years. Further, the offence will be made non-compoundable and the offenders will not be permitted to approach the Settlement Commission. A penalty of 300% of the tax shall be levied for such concealment of income and assets. Also, non-filing of return or filing of return with inadequate disclosure of foreign assets will be liable for prosecution with punishment of rigorous imprisonment up to seven years. Income in relation to any undisclosed foreign asset or undisclosed income from any foreign asset will be taxable at the maximum marginal rate with no exemptions or deductions.

AMENDMENT TO EXISTING LAWS

The concealment of income or evasion of tax in relation to a foreign assets would be made a predicate offence under the Prevention of Money-laundering Act. This would enable the enforcement agencies to attach and confiscate unaccounted assets held abroad and launch prosecution against the defaulters. Further, the definition of 'proceeds of crime' would be amended to enable the confiscation of equivalent asset in India where the asset located abroad cannot be forfeited.

The Bill aims to make evasion of tax in relation to foreign assets punishable with 10 year-imprisonment.

CURBING DOMESTIC BLACK MONEY

The Finance Minister proposes to introduce a new and comprehensive Benami Transactions (Prohibition) Bill in the Budget session of the Parliament. This will enable confiscation of Benami property and block a major avenue for generation and holding of black money, especially in real estate. With a view to curb the generation of black money in real estate, the Budget proposes to amend the provisions of Section 269SS and 269T of the Income-tax Act so as to prohibit acceptance or re-payment of advance in cash of Rs 20,000 or more for any transaction in immovable property. It is also proposed to provide a penalty of an equal amount in case of contravention of such provisions. To discourage cash transactions, quoting of PAN will be made mandatory for any purchase or sale exceeding the value of Rs 1 lakh.

IMPLEMENTATION IS THE KEY

The introduction of stringent laws against defaulters will help the Government widen the tax base. Implementation of these proposals is the key as they may be rendered ineffective if not supported by advanced information gathering systems. The increased compliance requirements, however, can end up making individuals and investors anxious. The Government's aim is to foster a stable taxation policy and non-adversarial tax administration. This aspect will play a major role in the implementation of the proposed drive against black money. But the new laws should not offer unrestrained powers to the tax investigators as such a move may dampen the investment climate of the country. The Government should ensure that an honest taxpayer is not caught in the web of these stringent laws. MT

The author, Tapati Ghose, is a partner at Deloitte Haskins & Sells

Magical Touch

We tell you how you can use legendary investor Joel Greenblatt's Magic Formula to invest in stocks | By **Shoaib Zaman**

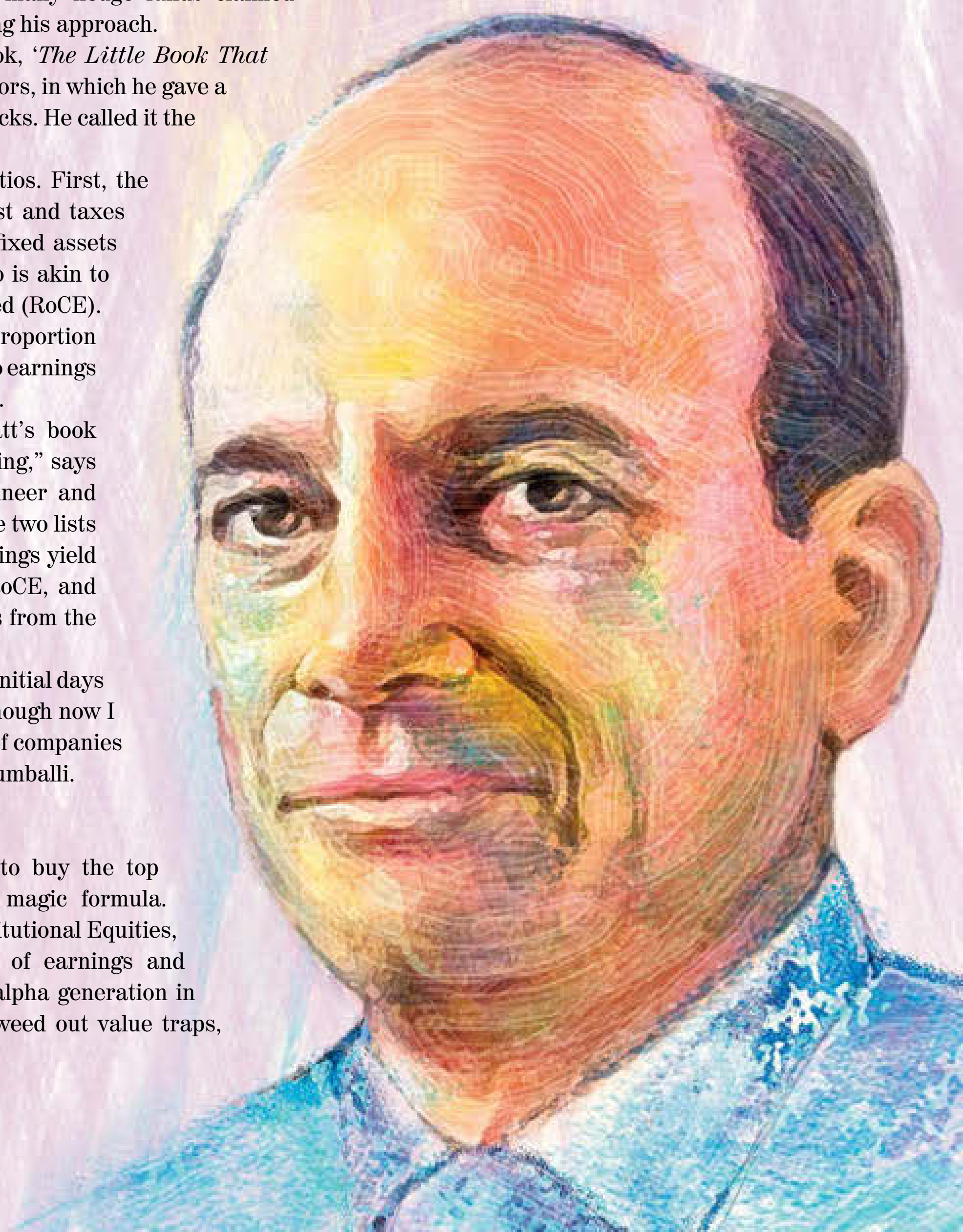
On Wall Street, Joel Greenblatt was known as a legendary stock-picker. His hedge fund, Gotham Capital, gave an average return of 50% a year over ten years. In fact, when he published his first book, '*You Can Be A Stock Market Genius*', many hedge funds claimed they were following his approach.

Then, he wrote his second book, '*The Little Book That Beats the Market*', for small investors, in which he gave a simple methodology for picking stocks. He called it the magic formula.

The formula stands on two ratios. First, the company's earnings before interest and taxes (EBIT) as a proportion of its net fixed assets plus net working capital; this ratio is akin to adjusted return on capital employed (RoCE). Second, the company's EBIT as a proportion of its enterprise value; this is akin to earnings yield adjusted for capital structure.

"I came across Joel Greenblatt's book while teaching myself value investing," says Madhu Gumballi, a software engineer and an active investor. He used to make two lists of stocks, one on the basis of earnings yield and the second on the basis of RoCE, and finally a third one adding rankings from the earlier two lists.

"I used this formula during the initial days when I was learning investing, although now I focus more on qualitative aspects of companies than quantitative aspects," says Gumballi.



Building Portfolio

One way to build a portfolio is to buy the top stocks ranked according to the magic formula. Gaurav Mehta, vice president, Institutional Equities, Ambit Capital, says that quality of earnings and corporate governance are key to alpha generation in India. "Hence, it is important to weed out value traps,

that is, firms with suspect corporate governance or accounting."

The magic formula is just one step. Investors need to do due diligence on stocks that clear the magic formula test. Sustainability of the business and management quality are absolutely essential.

Stock-picking can be subjective and depend upon the individual's understanding of the company/sector and his risk profile, says Gumballi. "In my case the portfolio has evolved from diversified to concentrated." The magic formula suggests that one must look at the top 20 stocks, but Gumballi suggests that one must pick 10 (looking at qualitative aspects) and allocate equal money to each of them. "Also, I would retain my winners as long as fundamentals remain good and there are no industry headwinds," he says.

"Greenblatt tried to merge Ben Graham's preference for cheap stocks and Warren Buffett's preference for high-quality companies. That is why he suggests ranking companies with the best possible combination of earnings yield and return on capital," says Tanushree Banerjee, Co-head of Research, Equitymaster.

Other Parameters

Banerjee says investors should also take into account profitability and debt to equity ratio. They should also assess whether the company has sufficient moat and management strength. Moat is the competitive advantage one company has over others in the same industry.

"Importantly, as Greenblatt suggests, as and when the stocks become expensive, investors should also consider booking profit," she says.

"I like the simplicity of the formula but as you add years to your investing life you have to look beyond it. Nevertheless, it is very useful for beginners," says Gumballi.

Excluding financial, commodity and cyclical companies, the formula can work in India as well, says Sankaran Naren, CIO, ICICI Prudential AMC.

Using the formula is tedious as an investor is expected to buy 15-20 stocks and then rebalance the portfolio every year.

Caveats

Not everyone uses the entire formula. Sumedh Kadoo, co-founder, Craytheon Financial Services, says, "We at Craytheon follow a different approach—buy profitable companies and hold them for long. I think this strategy makes sense for other Indian investors too. They can use the second part of the formula to find out the most profitable companies and then invest in them when the market crashes or their share prices fall due to some temporary bad news. Once you buy the shares, hold them for the long term."

"One basic learning of behavioural finance is that

Step 1

RoE/RoA/RoCE- Higher the better; rank them in descending order

PE – Lower the better, rank them in ascending order

Step 2

EBIT/(Networking Capital +Net Fixed Assets) – Higher the better, rank them in descending order

EBIT/(Market Value of Equity + Net Interest-Bearing Debt) – Lower the better, rank them in ascending order

Joining 1 & 2

1. Merge the lists
2. Remove all banks and financial services companies
3. Remove all companies with market cap of less than Rs 500 crore
4. The top 10 stocks can be bought

TOP 8 STOCKS ACCORDING TO GREENBLATT TEST

RS SOFTWARE (INDIA)

Investment rationale
- To be a key beneficiary of boom in e-commerce
- Caters to the world's largest electronic payment service provider
- Fast growth in electronic payments will continue for the foreseeable future
- Strong balance sheet, zero debt and surplus cash to support inorganic expansion

Risks
- Client & industry concentration
- Foreign exchange fluctuations

Interesting Numbers
- The company's RoCE and RoE are higher than that of Infosys and Wipro
- The company's enterprise value to EBITDA and sales is very attractive. EBITDA stands for earnings before interest, tax, depreciation and amortisation

(CMP: Rs 202)

HINDUJA GLOBAL SOLUTIONS

Investment rationale
- HGS serves 139 clients (excluding payroll processing clients) through its 58 global delivery centres and employs over 26,000 people worldwide. The company has presence in Canada, France, Germany, India, Italy, Jamaica, Philippines, Netherlands, UAE, UK and US

Risks
- The company earns most of its revenue from a core group of clients. In 2013-14, revenue from top 10 clients accounted for 62% of total. This has resulted in concentration risk

Interesting Numbers
- Since 2011, the company's PE has been moving in a range of 7.86-14.80

(CMP: Rs 547)

SUTLEJ TEXTILES & INDUSTRIES

Investment rationale
- It is a KK Birla group company with clients like ITC, Pantaloon, Westside, Siyaram's, Arvind, Grasim, Monte Carlo, Harry's Collection, Donear, Raymond, Arrow (US), Penny (US), Marks & Spencer (UK), JC, Next (UK) and Carrefour (France)

Risks
- Slowdown in US and UK markets can affect ability to generate cash.

Interesting Numbers
- The company's debt-to-equity ratio has been improving; it was 5.97 in 2010 and 1.36 in 2014
- Cash flow from operations has been increasing at a healthy rate of 37% a year between 2010 and 2014

(CMP: Rs 333)

TIDE WATER OIL COMPANY (INDIA)

Investment rationale
- With multiple subsidiaries in foreign countries, the company plans to expand big time outside India
- The fast growth in sale of two-wheelers and four-wheelers is expected to stimulate demand for high-quality lubricants

Risks
- With the advent of international players, competition is likely to become more intense
- Volatility in commodity prices

Interesting Numbers
- The company is without debt. It is trading at a low PE ratio compared to peers
- Free cash flow has been increasing over the last four years

(CMP: Rs 14,223)

BALMER LAWRIE& COMPANY

Investment rationale
- Although majority of revenue comes from travel and tours, it has presence in other businesses as well. In 2013-14, the revenue break-up was: Industrial Packaging 18%; Logistics Infrastructure & Services 18%; Travel & Tours 45%; Greases & Lubricants 16%, and Others 3%

Risks
- The biggest risk is poor allocation of resources and over-diversification

Interesting Numbers
- The 10-year average EV/EBITDA has been 3.69 times. EV/EBITDA for 2013-14 was 2.38 times
- The company's debt-to-equity ratio, at 0.18, is the best in the decade; it also has a high dividend yield

(CMP: Rs 604)

we are sometimes more focused on stocks which have done well and are highly valued. Greenblatt ensures that we are fond of companies which are high quality and cheap," says Sankaran of ICICI Pru AMC.

Kadoo of Craytheon says, "The partners at Craytheon use just the second part to calculate the RoCE of Indian companies and rank them from most profitable to least profitable." He says top 30 companies are studied further.

"We then create a smaller list of companies whose business we understand and buy those we think are undervalued or fairly valued," he says.

Banerjee of Equitymaster says, "We do not use the formula in isolation. Instead, we screen stocks through various valuation metrics, besides other fundamental

'MAGIC MULTIPLE' OF BENJAMIN GRAHAM VS 'MAGIC FORMULA' OF JOEL GREENBLATT

Graham's Magic Multiple is the multiple of a stock's P/E and P/BV. **Graham has put an upper limit to the output of this ratio--22.5.** This he derived using maximum P/E of 15 times and maximum P/BV of 1.5 times, **the highest multiples he was ready to pay for a stock.** P/BV is used to compare a company's market value to its book value

AVANTI FEEDS

Investment rationale
- Exports shrimp to USA, Europe, Japan and South East Asia. Global shrimp consumption continues to rise
- The domestic market is also picking up slowly
- Has entered into a joint venture with Thai Union Frozen Products PCL, Thailand, the world's largest seafood processor and manufacturer of prawn and fish feed

Risks
- Aqua culture is dependent on climate, which is unpredictable. Natural calamities during the culture season can impact production

Interesting Numbers
- The turnover has grown from Rs 72 crore in 2009 to Rs 1,135 crore in 2014
- The stock has risen 315% in the past one year; over five years, the returns are an astounding 6,768%

(CMP: Rs 1,580)

NMDC

Investment rationale
- Strong demand for iron ore and constraints in merchant iron ore supplies
- Strong balance sheet and high dividend yield
- Global peers trade at 6.3 times one-year forward EBITDA and 9.9 times earnings per share. The steep discount vis-a-vis peers is not justified given the quality of iron ore reserves held by it

Risks
- Volumes under pressure in second half of the year
- Lower volumes in 2014-15, lower prices and unfavourable use of the cash pile

Interesting Numbers
- The company's RoCE is one of the highest among peers
- Cash and bank balance account for 35% of market cap

(CMP: Rs 132)

GUJARAT MINERAL DEV CORP

Investment rationale
- GMDC's foray into power production has provided a new avenue for expansion. With almost 66% of Indian population without sufficient access to electricity, the demand for power will keep rising
- GMDC has ventured into value-added services through joint ventures and projects to produce cement, zeolite, chemicals and for beneficiation of minerals like Fluorspar. These will start production soon and add to output and profitability

Risks
- Difficulty in expanding and rise in costs due to strict environmental regulations can threaten mining operations
- Slow progress on resettlement & rehabilitation issues and other problems related to land acquisition may lead to significant transaction costs and time delays

Interesting Numbers
- The company is priced fairly against historical values; for example, the average PE of last five years is 10.52 times; the current PE is 9.43 times
- The average dividend yield is 1.95 times; the current dividend yield is 2.30 times

(CMP: Rs 116)

CMP is current market price on March 18; Source: BSE

ratios." Equitymaster takes into account both earnings yield and RoCE, as suggested by Greenblatt. "The only adjustment we make is that we look at only companies whose market capitalisation is more than Rs 250 crore," says Banerjee.

Ambit Capital has also modified the criterion. Mehta says, "The difference between our and Greenblatt's approach is that while he adjusts for cash and looks only at returns on invested capital, we look at returns on total capital including cash (by including cash income in the numerator). This penalises firms which hoard cash as high cash balances lower their RoCE." The companies are ranked on these two parameters. After this, the list is merged to arrive at a cumulative rank. This makes sure that companies which get high scores have high return ratios as well as low valuations.

On use of the formula in the Indian scenario, Naren of ICICI Prudential says, "India has a number of cyclical sectors and that is why there are constraints in using this methodology." Although the strategy works over the long run, there are periods when it doesn't. This is, of course, true of many value-oriented strategies.

Mehta explains. "We believe value investing works when the macro environment is conducive. In challenging times, investors flock to safety even if it is expensive and so valuations become secondary." To the extent that a revival of India's macros looks likely, a value-oriented approach like the magic formula may work now. MT

@shobzm

Bullish Moves

We discuss three ratios that can help you identify good stocks | By **Rahul Oberoi**

Illustration: PRAGATI

Finding a quality stock from the thousands that trade on exchanges may not be as difficult as it looks, provided you focus on right indicators. The key ratios you can use to analyse a company are return on equity (RoE), return on assets (RoA) and return on capital employed (RoCE).

If the three are rising at the same time, you can be pretty sure that the money invested in the company is being used efficiently, leading to higher profits. But one must be cautious. These may not be the only indicators of the company's prospects. Growth of the industry the company operates in and investment in productive capacities also merit close scrutiny.

"A simultaneous improvement in RoA , RoE and RoCE indicates the company is using shareholder funds efficiently. This ensures good returns," says Kiran Kumar Kavikondala, director and chief executive officer, WealthRays Securities.

"Rise in RoA, RoE and RoCE shows the company is growing. It shows clearly that the management is able to generate earnings from investments," says Satish Modh, director, Vivekanand Education Society's Institute of Management Studies & Research.

How They Are Measured

RoE, or net profit divided by equity capital, shows profit earned in comparison with shareholder money. The higher the ratio, the more efficient the company is in using shareholder capital.

RoA, or net profit by total assets, shows how efficient the management is at using assets to generate earnings.

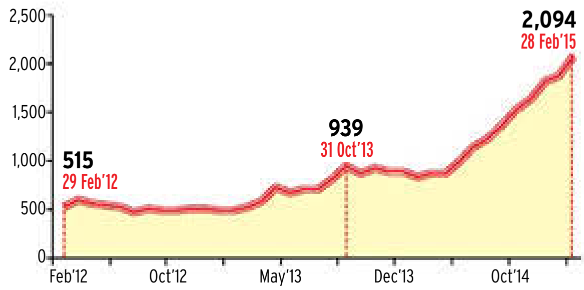
RoCE measures returns that a business is earning from capital employed. Capital employed equals equity plus non-current liabilities (or total assets minus current liabilities), in other words all long-term funds used by the company. It indicates efficiency/profitability of a company's capital investments. It should be higher than the rate at which the company borrows. If it is not the case, increase in borrowing will reduce shareholder earnings.

Rewarding Investors

There are five companies in the BSE 500 whose RoE, RoA and RoCE have been rising since 2010-11. The list includes Ajanta Pharma, whose stock rose 3,465% to Rs 2,437 in four years till February 5; it was at Rs 48.37 on 4 February 2011. It is followed by Finolex Cables (443% to Rs 255), Britannia Industries (410% to Rs 1,860), HCL Technologies (310% to Rs 1,972) and Coal

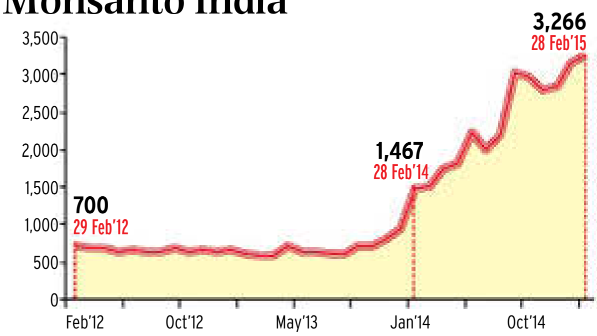
Investment Options

Britannia Industries



	2010-11	2011-12	2012-13	2013-14
RoA (%)	10.36	11.84	13.94	20.97
RoE (%)	34.28	38.45	40.28	49.34
RoCE (%)	27.60	31.62	40.80	63.83

Monsanto India



	2010-11	2011-12	2012-13	2013-14
RoA (%)	8.43	9.88	12.03	20.62
RoE (%)	11.80	13.23	17.01	32.69
RoCE (%)	13.93	16.19	19.11	37.04

Graphs show share price movement in Rs; data source: Ace Equity

3,465 %

is the rise in the Ajanta Pharma stock in four years till 5 Feb 2015

India (20% to Rs 369).

The list expanded to 15 when we changed the period from four to three years. The stocks which were added included Mindtree (up 494%), Monsanto India (up 378%), Mastek (334%), Emami (273%) and Havells India (153%).

"A simultaneous rise in RoA, RoCE and RoE signals 'buy' if valuations are not discounting this already," says DK Aggarwal, chairman and managing director, SMC Investments and Advisors.

Advantages & Shortcomings

RoA indicates capital intensity, which will depend on the industry. Capital-intensive industries such as railway and power have low RoA as they have to own valuable assets.

Modh of Vivekanand Institute says, "RoA gives an idea about how efficiently the management is using assets to generate profits. But it is of less interest to shareholders than some other financial ratios such as RoE."

But RoA has an advantage too. It tells investors if the company has too much debt, which RoE does not capture. At the same time, RoE tells how profitable a company is for its owner(s) and how profitably it is using equity capital.

RoCE does not account for depreciation and amortisation of capital. Because capital employed is the denominator, a company with higher depreciated assets may report a higher RoCE without an increase in profit. Also, RoCE is low for companies that are capital intensive. For companies with insignificant debt, RoE and RoCE are the same. RoCE has little impact on stock prices by the time it is known.

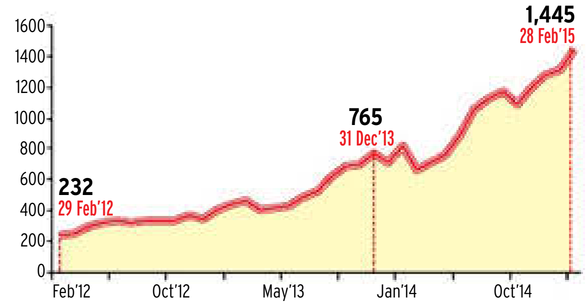
P Phani Sekhar of Karvy Stock Broking says, "Better RoE, RoA and RoCE can also be generated by curtailing investment in new capacities and operating assets that are highly depreciated. Lower growth prospects also lead to fall in investments, which in turn improves capital efficiency."

Stocks You Can Bet On

Monsanto India: The company is in agri business. The sector will do well due to reforms proposed by the government to increase productivity. The company's net profit rose 82.49% to Rs 122.89 crore in 2013-14 from Rs 67.34 in 2012-13. It has zero debt and adequate reserves.

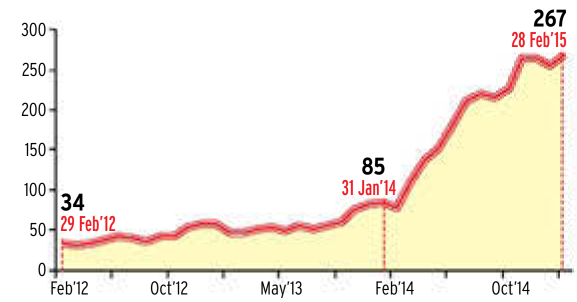
"The stock was at Rs 3,389 on January 28, trailing 12 months price-to-earnings (P/E) ratio of 45.56. We expect it to trade at Rs 4,395 in two years assuming one-year average P/E ratio of 33.14 and earnings per

Mindtree



	2010-11	2011-12	2012-13	2013-14
RoA (%)	12.82	19.05	22.91	24.29
RoE (%)	17.43	25.37	29.97	30.66
RoCE (%)	21.40	29.40	36.27	38.82

Finolex Cables



	2010-11	2011-12	2012-13	2013-14
RoA (%)	7.35	8.06	11.09	13.99
RoE (%)	12.76	12.94	16.85	20.48
RoCE (%)	13.32	13.88	17.74	21.95

Graphs show share price movement in Rs; data source: Ace Equity

SATISH MODH
Director, Vivekanand Education Society's Institute of Management Studies & Research

"Rise in RoA, RoE and RoCE shows clearly that the management is able to generate earnings from investments."

share of Rs 132.60 in 2016-17," says Aggarwal of SMC. On February 6, it was at Rs 3,394.

Finolex Cables: Finolex is India's largest maker of electrical and telecommunication cables. The stock rose 200% to Rs 252 in one year to February 6. Net profit has been growing at 37.7% a year for the last four years. In 2013-14, it was Rs 207.68 crore, compared to Rs 57.63 crore in 2009-10.

Aggarwal says, "The government has big plans for building smart cities. This will mean additional demand for cables. The company has been increasing its RoE and RoCE for years and is conservatively valued than peers. On January 28, it was trading at Rs 255 a share, a P/E of 18.82 on the basis of trailing 12 months earnings. We expect the stock to trade at Rs 349 in two years assuming P/E of 16 and 2016-17 earnings per share of Rs 21.79." It was at Rs 252 on February 6.

Britannia Industries: The company is a big player in the Indian foods market with leadership position in the bakery category. Its shares rose 111.65% to Rs 1,876 in one year to February 6; they were at Rs 886 on 6 February 2014. On February 6, the stock was trading at a P/E ratio of 39.28 as against the industry average of 33.90, indicating overvaluation.

Vineeta Mahnot, equity research analyst, Hem Securities, says, "Measures like cost containment, go-to-market strategy, premiumisation, creation of operational efficiencies and expansion of product portfolio will drive profitability. The stock can touch Rs 2,350 in the next few quarters."

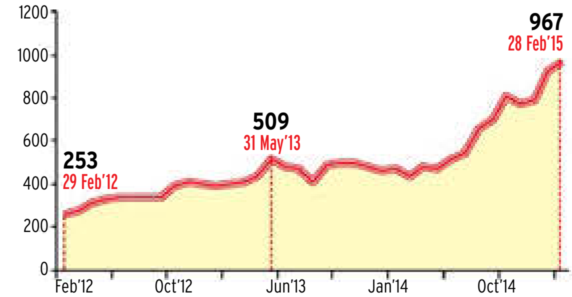
Emami: The fast moving consumer goods company makes products under various categories—hair care, skin and ayurvedic health care. Its net profit rose 19% from Rs 382.83 crore in 2012-13 to Rs 455.68 crore in 2013-14.

The stock has almost doubled in the last one year from Rs 452.15 on 6 February 2014 to Rs 897.50 on February 6 this year. According to a January 29 report by Nomura, Emami leads in most of the categories in which it is present and will continue to enjoy higher gross margins than the industry. The stock can touch Rs 1,010, it said.

Mindtree: The company, formerly known as Mindtree Consulting Ltd, is a global information technology consulting and implementation company. It operates in product engineering and IT services.

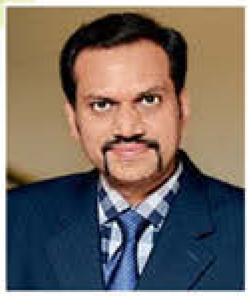
The company registered net sales of Rs 3031.60 crore in 2013-14, up 28.36% from Rs 2,362 crore in 2012-13. According to Prabhudas Lilladher, revenues are likely to touch Rs 3,585 crore in 2014-15 and Rs 4,213 crore in 2015-16.

Emami



	2010-11	2011-12	2012-13	2013-14
RoA (%)	19.88	20.95	23.83	28.01
RoE (%)	34.74	37.07	42.41	47.08
RoCE (%)	31.60	35.37	42.77	49.68

Graph shows share price movement in Rs; data source: Ace Equity



KIRAN KUMAR KAVIKONDALA
Director and CEO, WealthRays Securities

"A simultaneous rise in RoA, RoE and RoCE indicates the company is using shareholder funds efficiently."

45.56 was the PE ratio of Monsanto India stock on January 8 this year

The stock rose 90.5% to Rs 1,355 in one year to February 6. "Revenue growth will accelerate this year with improvement in operating margins. The stock can touch Rs 1,530 in the next few quarters," says Prabhudas Lilladher. MT

@iamrahuloberoi

Illustration: PRAGATI

No Golden Returns Here

Even as the stock market enters a bull run, retail investors are unlikely to gain much by investing in commodity funds | By **Tanvi Varma**

Although 2014 turned out to be a bumper year for equity investments, one cannot say the same for commodity funds. In the last one year, these funds have delivered returns in the range of -24% to 5% (See *Mining For Profits*). Indian investors can invest in commodity funds via feeder funds. Indian asset management companies (AMCs) invest their corpus into global mutual funds which invest in commodity-related securities. They do not trade directly in commodities like gold or iron ore but do benefit from global diversification properties of commodity funds. It is important to remember that the performance of commodity companies is prone to factors and sentiments driving equity markets in general, which may not always play out favourably from an investor's perspective. For instance, in 2011, gold, thermal coal, copper, aluminium and iron ore rose 20-30% on a year-on-year basis, but stocks of companies dealing in these commodities remained beaten down due to global macroeconomic uncertainty.

WHAT WENT WRONG FOR GOLD?

Gold bullion displays an inverse relationship with the US$, which was seen during 2014, according to Pankaj Sharma, EVP and head, business development & risk management, DSP Black Rock Investment Managers. "The strong

US dollar, helped by US economic strength and hawkish US Fed interest rate guidance, rose during the second half and it was reported that US GDP grew at an annualised rate of 4% in the second quarter of 2014, 1% above the average predicted by economists," he adds. Also, lacklustre physical demand and alleviation of political tensions later in the year acted as headwinds for gold.

OUTLOOK FOR GOLD FUNDS

According to Sharma, physical demand from emerging economies such as China and India will continue to support demand for gold. On the supply side, projects and exploration budgets have been shelved, which may provide an opportunity for the gold price to trend steadily higher over the coming years. Although the backdrop of US$ strength has historically been a challenging one for precious metals and the experience of 2014 to date has been no different, there are still some significant risks to markets that gold has been used to hedge against, most notably shocks to the financial system and inflation. The most relevant way to think about gold is not in isolation but as part of a well-diversified portfolio. It can help investors preserve wealth and reduce risk.

AGRI COMMODITIES FARE BETTER THAN GOLD

The key challenge for the agriculture sector in 2014 had been the weak price performance of its main crops. "The continuation of favourable weather conditions and larger-than-expected stocks have led to expectations of a bumper harvest, resulting in lower farm incomes," says Sharma. However, some areas have benefitted from this market environment. In fact, funds focusing on agricultural companies have posted positive to flattish returns. Looking ahead, Sharma expects prices of the main crops to remain subdued. However, it is unlikely that crop prices will weaken to the extent that they have in 2014 as they approach the cost of production. According to Varun Goel, head PMS, Karvy, commodities, be it precious or industrial metals, have followed a 10-year cycle since 1920. "While 2002-12 was a great time for commodities, 2012 onwards prices began sliding and we are unlikely to see any fireworks from this segment," he says.

MINING FUNDS ARE CYCLICAL

Sharma believes the primary driver of metals is a supply/demand imbalance where the potential for future deficits have provided support and potential surpluses have weighed on prices. Despite positive fundamentals for a number of metals, the mining sector began to retreat in late August and has continued this downward trend since. The reasons were reports of soft Chinese economic data and anaemic data from Europe. "With China contributing 40-45% of demand, the slowdown will impact base metal prices," says Naveen Mathur, associate director, commodities and currencies, Angel Commodity Broking.

The cyclical nature of mining funds is evident in the case of Birla Sun Life (earlier ING Optimix) Global commodities fund, which delivered a whopping 71% during November 2008 to November 2009, during the hype on global commodities. The

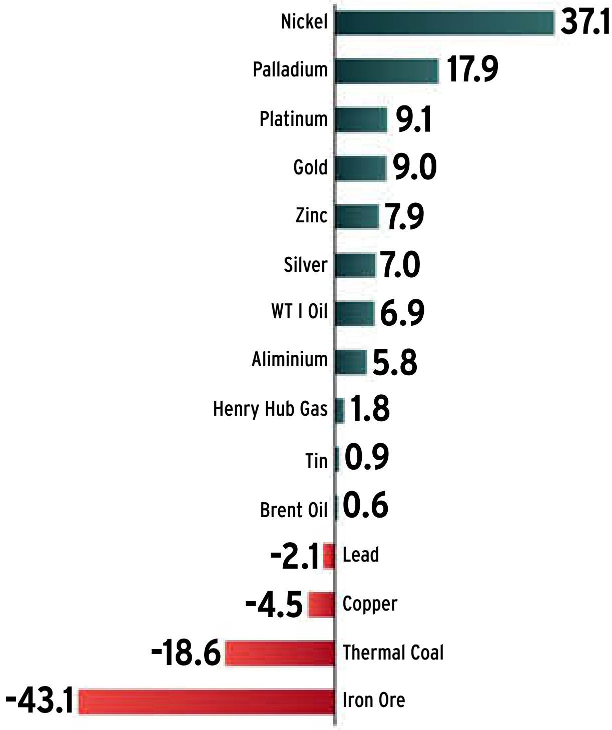
Mining for Profits

	RETURNS			
	1 Month	1 Year	3 Years	5 Years
Birla Sun Life Commodity Equities Fund: Global Agri Plan	0.46	5.43	8.94	6.29
DSP BlackRock World Agriculture Fund	-2.29	2.73	10.16	-
Kotak World Gold Fund: Standard Plan	-6.84	-33.5	-20.46	-8.06
DWS Global Agribusiness Offshore Fund	0.9	-0.63	8.02	-
DSP BlackRock World Gold Fund: Regular Plan	-5.41	-24.77	-20.16	-8.28
Mirae Asset Global Commodity Stocks Fund	-1.4	-8.24	-4.58	-2.11
Birla Sun Life Global Commodities Fund	-1.57	-15.24	-5.56	-0.47
DSP BlackRock World Energy Fund: Regular Plan	6.01	-9.17	3.23	4.57
DSP BlackRock World Mining Fund: Regular Plan	-4.45	-24.36	-15.22	-8.42

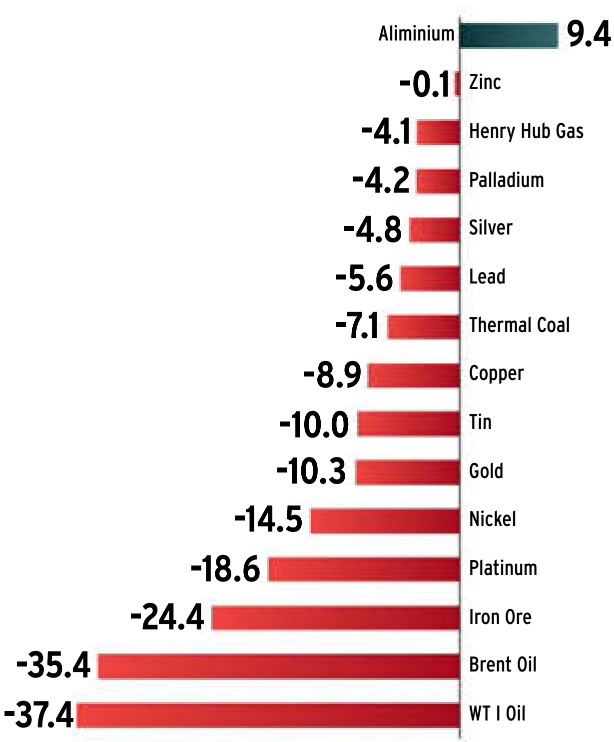
Data as on 14 March 2015; Source: Value Research

A Tale of Two Halves

Most commodities gained in first half of 2014



But in the second half, all but one saw a substantial price fall



Source: Value Research

same fund has delivered a negative 15% return in the past one year. Other mining-based funds have also followed suit.

Having said that, Sharma believes that the industry has made good progress in refocusing its strategy; operating costs have been aggressively targeted and investments in projects reassessed. "We are entering a seasonally stronger period for mining demand, which in the past has supported commodity prices; industrial activity typically picks up in the fourth quarter, following the summer lull," he adds.

OIL PRICES HURT ENERGY FUNDS

Energy funds like DSP BlackRock Energy Fund had to face the key challenge of oil prices dropping about 35% between June and December 2014. According to Sharma, the recent fall is on the back of weak demand growth, particularly from Europe and Asia, reduced supply and continued production growth from the US. When prices fall, oil and gas companies generate less money. In fact, oil and gas groups make up 15% of the FTSE 100 index, so whether you invest via a 'tracker' fund or an active fund manager, the oil price fall will have hit your investment returns.

The energy sector remains an underweight for many investors and still trades at a significant discount to the broad equity market on both price-to-book and price-to-earnings multiples. "Further, the action by central banks to prop up their economies may create incremental demand. We see prices at $84 per barrel in the next one year," says Mathur of Angel Broking.

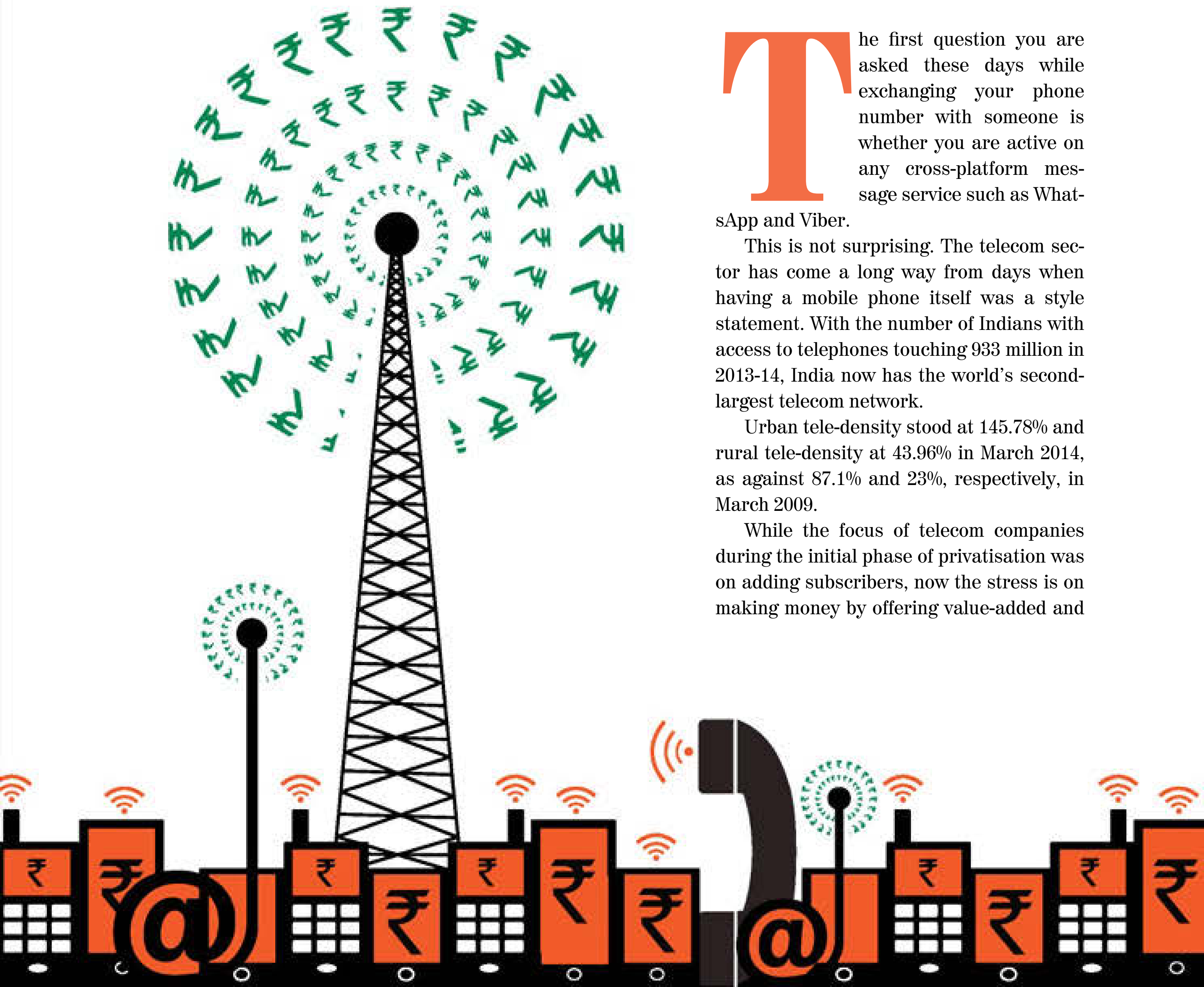
SHOULD YOU INVEST?

According to Goel of Karvy, the commodity story is over for now. Investors must exit these funds and seek more lucrative options for the same amount of risk. Commodities are generally seen as a bull market phenomenon. There is still a big question over the influence of China on prices due to the support it lent for years. As China moves away from infrastructure development and towards consumer spending, demand for commodities is likely to be structurally slower. Except gold, which provides a safe haven and diversification, commodities are not a necessity in any investment portfolio. However, a commodities fund can add punch to a portfolio during a structural uptrend. MT

@vtanvi

WEAK SIGNAL

Telecom sector faces a lot of uncertainties in the near term. Invest cautiously | By **Shoaib Zaman**



The first question you are asked these days while exchanging your phone number with someone is whether you are active on any cross-platform message service such as WhatsApp and Viber.

This is not surprising. The telecom sector has come a long way from days when having a mobile phone itself was a style statement. With the number of Indians with access to telephones touching 933 million in 2013-14, India now has the world's second-largest telecom network.

Urban tele-density stood at 145.78% and rural tele-density at 43.96% in March 2014, as against 87.1% and 23%, respectively, in March 2009.

While the focus of telecom companies during the initial phase of privatisation was on adding subscribers, now the stress is on making money by offering value-added and

data services. Revenue from voice accounted for 80% of the industry's total in 2013-14, though data has been growing at an impressive rate and will be a big driver of growth (See *Revenue Breakup*).

What Future Holds

Vinay Kumar Agrawal, equity research analyst, WealthRays Securities, expects big changes once service providers roll out 4G services. Also, with the launch of LTE 4G, a wireless data communications technology, and spread of smartphones, both tele-density and revenue from data are expected to rise sharply. The government's plans to build smart cities and go for massive digitisation will also increase data usage.

There could be new business opportunities too. "Earlier, the main business of telecom companies was to connect people through voice, text and internet. Now, the industry is looking at what more is relevant," says Jaideep Ghosh, partner, KPMG India.

One area of growth can be providing content. "My view is that value has shifted for each rupee spent by customers towards non-telcos. It is imperative for telecom companies to capture that value," says Ghosh. A good example was Bharti Airtel's recent move to charge customers separately for voice calls from its network using apps such as Skype and Viber. It, however, dropped the plan after opposition.

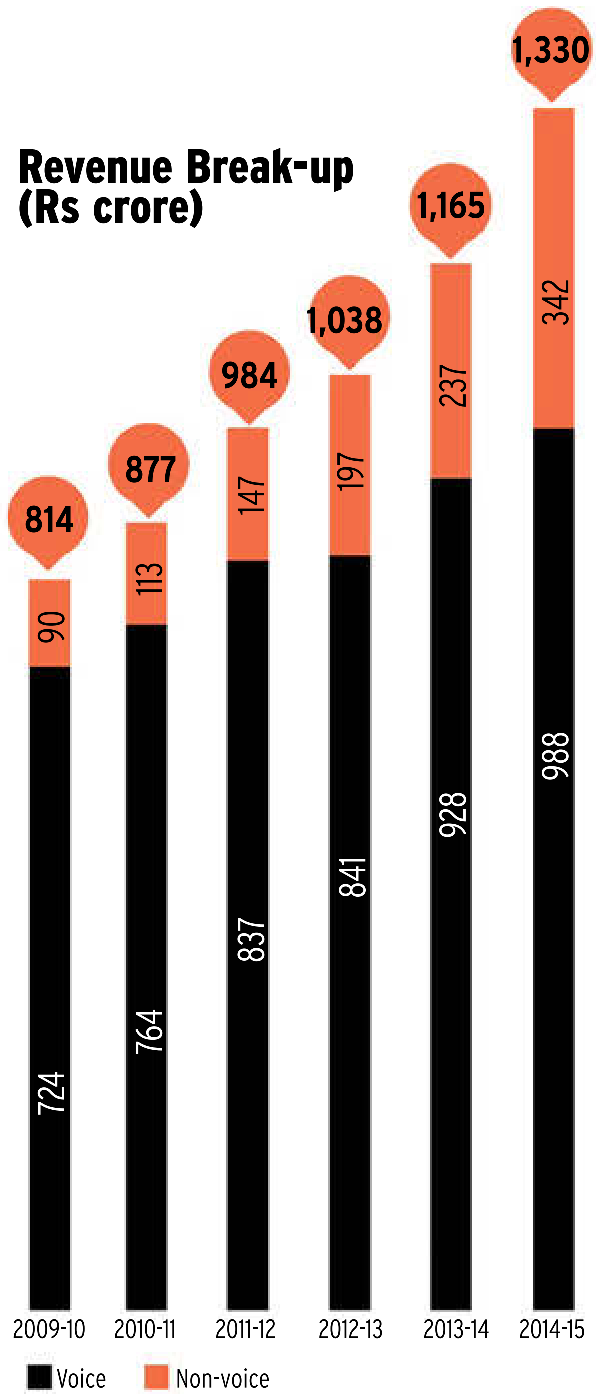
Urban & Rural Growth

With penetration level of 150%, not much change is expected in urban areas unless a new technology is unleashed or new companies enter the market. In rural areas, however, the focus is still on increasing usage. "Typically what happens is that customers first use voice services before migrating to data. While the current focus of data is on urban customers, telcos will aim to attract rural customers as well," says Ajay Srinivasan, director, CRISIL Research. For customers who do not have access to a computing device, mobile will be the first touch point for internet.

According to the National Telecom Policy 2012, the government aims to increase rural tele-density from 39% to 70% by 2017 and 100% by 2020. This aim, coupled with the government's desire to build 100 smart cities and focus on digitising India, may open a window of opportunity for telecom companies.

4G Effect

There is expectation that 4G services will help the sector expand margins. "Also, the demand for smart phones is expected to grow. Users are seen shifting to fast service providers, which will help the bigger companies increase margins. Wifi-hotspot services will get a boost," says Vinay Kumar Agrawal, equity research analyst, WealthRays Securities.



Source: Crisil Research & company reports

Illustration: PRAGATI

Revenue Share of Top Operators (%)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15H1
Bharti Airtel	31.5	30.1	29.2	29.9	30.5	30.9
Vodafone	21.0	21.4	22.7	23	23.4	23.2
Idea Cellular	12.6	13.6	15	15.7	16.6	17.3
Tata Teleservices	7.4	8.4	8.8	8.2	6.7	6.8
Reliance Communications	11.5	9.8	8.3	7.8	7.2	6.7
Aircel	4	4.7	4.8	4.9	5.6	5.7
BSNL+MTNL	9	7.5	6.8	6.7	6.4	5.6
Others	3.1	4.6	4.4	3.8	3.6	3.8

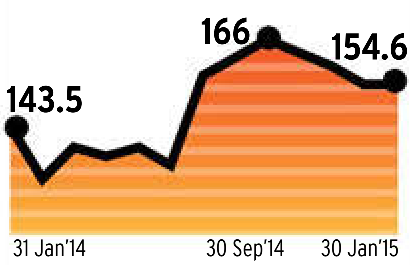
Source: Crisil Research, company reports & TRAI

Stocks to Look Out For

IDEA CELLULAR

Recommended By
Hem Securities

The company's financials have been steady over the last three to four quarters. This is expected to continue in this quarter as well. With good growth potential and execution capabilities, it can outperform peers like Bharti Airtel and Reliance Communications. Technically, too, the stock is breaking out from current levels.



Some differ. "We do not anticipate major changes. We agree that 4G will give some competition to 3G but more so they will complement each other," says Srinivisan. He says more than 50% data usage in India still happens on 2G.

"On the technology side also there will not be any major disruption because today you can offer a 4G-like service on the 1,800Mhz band also. If there is a lot of traction for 4G, existing operators can aim to provide a similar service by using the 1,800Mhz spectrum," he says.

Policy Hurdles

In the telecom sector, government policy can make a huge difference. Among the recent policy moves, the Telecom Regulatory Authority of India (Trai) has recommended to the department of telecom to reduce the percentage of annual licence fee paid by operators which is used for developing the sector in rural areas. If this is approved, margins of companies will improve.

"The regulatory environment has definitely become better but it is not as if all issues have been resolved. The M&A (merger & acquisition) policy, for instance, still continues to be restrictive," says Srinivasan.

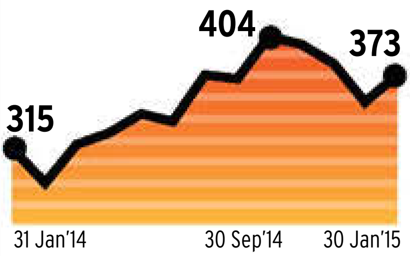
Spectrum availability and the price companies will have to pay for it continues to be a big worry. This was clear in recent spectrum auctions. In the first 10 days, the government managed to raise Rs 1,02,215 crore. With this, the government has managed to provisionally sell 87% of the total spectrum put up for auction. The government has decided to not declare the names of winners immediately and wait till the final verdict is passed by

BHARTI AIRTEL

Recommended By

Religare Inst Research

We expect Africa performance to remain below par. Lack of growth is likely to make any turnaround a challenge, though the company plans to reduce debt by selling towers. While better India margins have been factored in, the Africa business will again offset most earnings upgrades.



TATA COMMUNICATIONS

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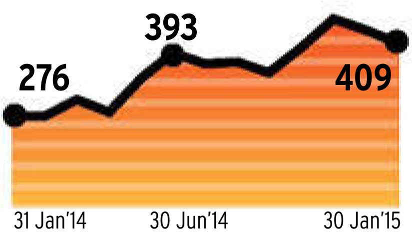
Tata Communications is focusing on the high growth and high margin data business. While the voice segment is likely to remain soft, growth in data is likely to be driven by strong traction in new data services and data centre business. Overall, we expect data EBITDA margins to improve by 275 basis points from 2013-14 to 2016-17. EBITDA, or operating profit, stands for earnings before interest, tax, depreciation and amortisation.



Graphs show share price movement in Rs

Auction Facts

- At the end of round 61 there was surplus demand in 800MHz band in Andhra Pradesh, Madhya Pradesh and North East circles
- In 900MHz, there was excess demand in West Bengal circle
- In 1,800MHz band, there was excess demand in Haryana circle
- There was no surplus demand in 2,100MHz band at the end of round 61
- The maximum bids of 84 were received for Tamil Nadu with winning amount of Rs 45 crore per block in the 1,800 MHz band.
- The second highest bids (75) were for Punjab with winning amount of Rs 72.15 crore per block in the 900 MHz band.

the Supreme Court in a related case. The auctions were important for many companies for various reasons. For example, licences of Idea Cellular in nine circles, Bharti Airtel in six circles, and Vodafone and Reliance Telecom in seven circles each are up for renewal in 2015-16.

Lalit Nambiar, senior vice president and fund manager (equities), UTI Mutual Fund, says, "It is difficult to say how much dent will a telecom operator take but past experience tells us that in auctions the actual price is always above the expected price. There is also a difference in perspective. While investors may consider the spectrum price high since it will dent profits or question its economic viability, the company may have a different opinion due to its longer perspective. Therefore, you may see a dichotomy between investor expectations on how telecom operators bid."

Looking at the industry, it is difficult to miss the change as India adopts latest mobile technology. As Vikas Singhania, executive director, Trade Smart Online, says, "Telecom companies in India are matured. We are as adept in mobile technology as other advanced countries and, therefore, this is one of the sectors where we are in the unchartered territory. My understanding is that since competition is cut-throat, telecom operators will need to focus on efficiency and adapt to changes faster to remain relevant." Of course only time will tell who evolves. MT

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UNDER PRESSURE

India Inc continues to face slowdown blues, hopes for better days next year

| By **Tanvi Varma**

If the economy is on a path to revival, as many believe, it is definitely not showing in corporate earnings. After many quarters of slowing down, the profit after tax (PAT) of Sensex and Nifty companies fell 6.4% and 4.8%, respectively, in the third quarter of 2014-15.

"Fading out of gains from rupee fall, which aided performance between Q2 of 2013-14 and Q1 of 2014-15, and sharp fall in commodity prices caused sales to fall for the first time since Q2 of 2009-10," says Dhananjay Sinha, head of research and strategist, Emkay Global Financial Services.

Vinay Khattar, associate director and head of research, Edelweiss, says almost all sectors lost momentum during the quarter. "Top line of consumer goods companies is growing in single digits and HUL gained market share with just 3% volume growth. On the investment side, L&T cut its revenue guidance and highlighted weak execution," he said. Growth in key export sectors, namely information technology (IT) and pharmaceutical, also faltered due to strengthening of the rupee and slowdown in emerging markets and Europe. In banking, asset quality worsened, with managements

How Top Companies Fared

Automobile

COMPANY	REVENUE (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)	NET PROFIT (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)
Ashok Leyland	3,290	73	32	–
Eicher Motors	2,225	34	181	49
TVS Motors	2,612	28	90	31
Tata Motors	6,912	9	359	-25
Bajaj Auto	5,520	10	860	-5
Maruti	12,260	15	802	18
M&M	9,460	-9	940	1

Banking

COMPANY	REVENUE (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)	NET PROFIT (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)
Bank of India	10,876	11	173	-70
Bank of Baroda	10,717	11	333	-68
Punjab National Bank	11,614	6	774	3
Yes Bank	2,971	18	540	30
ICICI Bank	12,435	9	2,889	14
HDFC Bank	12,395	17	2,794	20

Source: Ace Equity & company reports

saying stress will continue for a couple of more quarters.

There has been a fall in demand as exports, consumption and investment have slowed together. Rise of the rupee relative to euro and other emerging market currencies hit earnings of export-oriented sectors like IT and pharmaceutical. Although lower commodity prices helped, their full impact will be seen only over the next couple of quarters when the hit due to inventory losses (which is immediate) fades. "Poor demand resulted in higher operating costs as a percentage of sales, resulting in flat EBITDA margins," says Khattar. EBITDA, or operating profit, is earnings before interest, tax, depreciation and amortisation.

"Consumer firms' top line is growing in single digits. HUL gained market share with 3% volume growth."

VINAY KHATTAR
Associate Director and Head of Research, Edelweiss

Let's analyse the third quarter results of various sectors to get a better view of the corporate universe.

AUTOMOBILES

Earnings rose because of robust demand and stable margins (due to subdued commodity prices). The best performers were Ashok Leyland, Eicher Motor and TVS Motors (revenue growth of 73%, 34% and 28%, respectively). These three also reported the highest growth in EBITDA.

Emkay's Sinha says managements are hopeful and expect the demand momentum to continue in 2015-16. With most original equipment makers

Information Technology

COMPANY	REVENUE (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)	NET PROFIT (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)
Infosys	13,796	6	3,250	13
TCS	24,501	15	5,388	0
Wipro	12,085	7	2,203	9
HCL Tech	9,283	13	1,915	28
MindTree	911	15	140	59

Pharmaceutical

COMPANY	REVENUE (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)	NET PROFIT (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)
Sun Pharma	4,279	0	1,704	-4
Lupin	3,144	5	614	27
Wockhardt	1,382	12	350	15
Cipla	2,624	2	333	13
Dr Reddy	3,843	9	569	-7

Source: Ace Equity & company reports

launching new platforms and products and macro environment improving, Sinha expects the coming two financial years to be even better. The top picks of most experts are Tata Motors (due to JLR launches and turnaround in the domestic commercial vehicle business), Mahindra & Mahindra, Maruti Suzuki (five launches in the coming year) and Eicher Motors (growth in Royal Enfield sales).

BANKING AND FINANCIAL SERVICES

Although earnings growth of private sector as well as PSU banks slowed, there was a wide divergence between the two categories. "The reason was 6% fall in earnings of PSU banks, even though the contribution of treasury to profit before tax was significantly higher at 35% (owing to fall in interest rates) compared to -5% in the third quarter of 2013-14. Earnings growth of private sector banks was in line with expectations at 19%," says Sinha.

High provisioning, sticky operating expenditure and higher tax rate squeezed the PAT of PSU banks (except State Bank of India) by more than 50%. Bank of Baroda, for instance, saw net interest margins, or NIMs, fall by 20 basis points, or bps, to 2.2% due to rise in stressed assets. It was followed by Bank of India, whose NIMs fell 36 bps to 2% and NPAs rose to 3.5% compared to 3.2% in the second quarter of 2014-15. Punjab National Bank reported gross NPAs of 6% compared to 5% in the third quarter a year ago. Khattar says managements of PSU banks have guided for another couple of quarters of stress.

But asset quality of private sector banks was largely stable. While ICICI Bank reported a rise in stressed assets, the bank is well-capitalised; its PAT rose 14%. Axis Bank performed better than

"Fading out of gains from rupee fall and drop in commodity prices caused sales to fall."

DHANANJAY SINHA
Head of Research and Strategist, Emkay Global Financial Services

19%
was the rise in earnings of private sector banks

Consumer Goods

COMPANY	REVENUE (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)	NET PROFIT (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)
HUL	7,579	8	1,252	18
Godrej Consumer	2,225	12	289	34
Asian Paints	3,602	6	371	9
Britannia	2,015	14	137	37

Capital Goods

COMPANY	REVENUE (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)	NET PROFIT (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)
Larsen & Toubro	23,847	10	955	27
BHEL	6,078	-28	212	-69
Cummins	1,056	6	181	23
IRB Infra	963	10	133	23

Source: Ace Equity & company reports

expected by reporting 18% higher profit. HDFC Bank's NIMs rose 16 bps to 4.8% while its profit rose 20%. The preferred stocks are Axis Bank, HDFC Bank and Yes Bank.

CAPITAL GOODS, INFRASTRUCTURE

Capital goods and infrastructure sectors saw some green shoots. First, the order book grew at 15%, a three-year high. "However, the key concern, execution, remains," says Khattar.

Lowering of revenue guidance by L&T indicates another quarter of low growth, though the company posted revenue growth of 10% and PAT growth of 27%. In contrast, BHEL's revenue fell 28% due to fewer orders and execution delays. Cummins India reported 5.9% revenue growth, buoyed by 39% rise in exports.

As one enters 2015-16, one can expect traction on the execution front as the government frontloads expenditure. Further, monetary easing should lower cost of funds. Some preferred stocks in the space are Cummins (ramp-up in exports and improvement in market position) and L&T (diverse skill sets and strong execution capabilities).

> "Economic recovery is expected to happen only from the first quarter of 2015-16."
>
> **R SREESANKAR**
> Head, Institutional Equities, Prabhudas Lilladher

CAPITAL GOODS & INFRASTRUCTURE SECTORS SAW SOME GREEN SHOOTS. THE ORDER BOOK GREW AT 15%, A THREE-YEAR HIGH

CEMENT

Volume growth was 5.2% compared to 8.5% in the first half of the year. "Among the large companies, volume growth continued to be high for UltraTech Cement (10%) and Shree Cement (11%) due to capacity addition. ACC and Ambuja saw sluggish volume growth," says Sinha.

South-based companies (India Cement & Ramco Cement) saw 9.7% fall in sales. JK Cement reported 14% volume growth. Khattar says volumes of JK Cement, Shree Cement and UltraTech rose on account of capital expenditure and acquisitions. Drop in diesel prices reduced freight costs.

Demand is expected to rise in 2015-16 and provide the companies pricing power. The top sector pick is UltraTech due to efficiency of operations and management quality. In the mid-cap space, the top pick is

Cement

COMPANY	REVENUE (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)	NET PROFIT (OCT-DEC) RS CRORE	YEAR ON YEAR GROWTH (%)
JK Cement	797	18	17	49
Shree Cement	1,541	17	94	-19
UltraTech	5,834	14	401	1
ACC	2,762	3	324	19
Ambuja	2,378	9	328	4

Source: Ace Equity & company reports

JK Lakshmi Cement, which has one of the most efficient operations and operates in east India, one of the most profitable regions.

INFORMATION TECHNOLOGY

The third quarter results were broadly in line with the modest expectations. Demand was strong, led by recovery in the US and higher outsourcing from Europe. However, currency movements posed a challenge. Sinha expects a hit of 200-300 bps on revenue and 50-100 bps on EBIT (earnings before interest and tax) margins in 2015-16 if the current rates persist.

Infosys' revenue grew at a decent rate of 6%. Its net profit beat estimates. TCS' performance was in line with the subdued indications given by the management in December 2014. HCL Tech beat expectations by growing across geographies, verticals and services. Mindtree continued to be one of the top picks due to increase in productivity.

PHARMACEUTICALS

"Pharmaceutical companies reported poor revenue growth due to foreign exchange volatility, instability in emerging markets of CIS, Brazil and Venezuela and regulatory issues in the US," says Sinha. But gross margins rose due to improved product mix. Lupin and Cipla saw rise in EBITDA margins due to low base. Dr Reddys' margins fell due to high base of last year. Going ahead, sales are expected to gradually recover given the positive signals from Sun Pharma and Lupin.

DEMAND FOR CEMENT IS EXPECTED TO RISE IN 2015-16 AND PROVIDE THE COMPANIES PRICING POWER

CONSUMER GOODS

The consumer goods sector continued to take a hit as volumes fell and consumer sentiment remained subdued. However, lower costs helped most companies expand gross margins. Growth in rural areas was higher than in urban areas. Khattar says growth for paint and chemical companies was poor due to sluggish demand in urban areas. However, the fourth quarter of 2014-15 and the first quarter of 2015-16 will see the companies expand margins as they replace their high-priced inventory.

LOOKING AHEAD

Sinha says weak earnings over the past two quarters and continued market buoyancy has created a conundrum of rising multiples even with earnings downgrades. With 5.5-6% earnings growth of Nifty and Sensex companies in the first three quarters, it is unlikely that the full-year average will be higher than 5%, much lower than the FY12-FY14 average of 10% and consensus expectation of 17-20% six months back.

R Sreesankar, head, Institutional Equities, Prabhudas Lilladher, says economic recovery is expected to happen only from the first quarter of 2015-16 and, hence, India Inc's earnings will disappoint in the next quarter as well.

"Further, with the government adhering to fiscal discipline, it will spend less in the next quarter, which could lead to disappointment in earnings across sectors, postponing recovery to the second quarter of 2015-16," he says.

All in all, what will aid earnings in 2015-16 is improvement in incomes, rise in government expenditure and lower interest rates. If these things fall into place, Khattar believes earnings could grow at 18%-20% in 2015-16 and 2016-17. MT

@vtanvi

"So much needs to be done in India"

The Reserve Bank of India, or RBI, has allowed banks to become insurance brokers. Online sales, too, are picking up. In such a scenario, **Dipak Mondal** asks **John Holden, Chief Executive Officer, Canara HSBC OBC Life**, a pure bancassurance company, how relevant their business model is in the present context

JOHN HOLDEN, CEO, HSBC Canara OBC Life Insurance

How has been your experience so far in India and how India is different from other markets?

It's been a roller-coaster ride. But what I enjoy about India is that there's so much to be done. Before coming to India, I was in (South) Korea, where insurance density is very high, and before that I was in Taiwan, which is the most insured country in the world. So, it is fun to come to India, where so much needs to be done.

In any market there are a couple of big players, one dominant player and a bunch of emerging/new entrants. India is no different in this respect from other markets.

In Asia, most insurance markets are dominated by savings-linked products. In Europe, there is a stronger tradition of protection products. In India, there is a misunderstanding that insurance means tax saving, and that is wrong.

Who created this perception? Should insurance companies not take the blame as well?

I have not been in India long enough and so I may not know the exact answer. But what I can say is that whether it is protection or saving, there is often a tax incentive to do the right thing. If you don't buy insurance or pension plan, the state will have to ultimately bear the burden. But again the first thing I have learned in financial planning is that you should not do things because they are tax-efficient, you should do things because they are right thing to do.

Insurance, they say, is a push product in India...

That is said all over the world. I will

give you an example that contradicts this. If insurance is a push product, how come everybody is pulling it through online sales? Everybody is buying online without the agent's involvement.

The problem is that it is always something that can be put off until tomorrow. Insurance is a bit like going to the dentist. I know I should go to a dentist but there's always a reason for not going today.

Since HSBC Canara OBC is a bancassurance company, what is your experience in terms of people's awareness about insurance?

There are very few people who wake up in the morning and the first thing they think is buying insurance. Somebody has to bring the conversation to the table. We do that through our bank partners.

One of the strengths of bancassurance is that the bank has a suite of products the customer can choose from. The customer may not need insurance today but the bank will continue to service him. That way the customer may come to the bank when he needs insurance. But an insurance agent will talk about only one product. That's when it becomes a push strategy.

We have a network of over 6,000 bank branches but we do not expect them to sell insurance every day. We sell around 6,000 policies every month, that is, one policy per branch.

At a time when people prefer shopping online, how relevant is the bancassurance model?

Bancassurance is not a channel, it's a business model. It is a marriage between distribution capability of a bank and manufacturing capability of an insurance company. It is multi-channel, aales and servicing can happen at the bank, at your home, online or at ATM.

How many of your bank customers have your policies?

I don't have the exact data. We have around 1% penetration among our bank customers. The three banks together have around six crore accounts and we have three lakh policies. If we consider that only three crore accounts are active, that means about 1% account holders. So, the tongue-and-cheek answer to your question about how many account holders are our customers is, 'not enough'.

Many studies suggest that maximum mis-selling happens at banks...

Let's move from anecdotes to data. Data tells me that bancassurance has fewer complaints and high persistency rate. I am not saying there won't be aberrations, however, such instances would be few. We have an active pre-sales process and controls to validate the sales process. We also have a very strong redressal mechanism to deal such cases with alacrity. At all times, we are guided by the principle of fairness and the need to protect the reputation of the stakeholders.

> "IF BANKS WANT TO SHIFT TO THE **BROKING MODEL THEY WILL** HAVE TO CREATE A NEED-ASSESSMENT PLATFORM"

Since the RBI has allowed banks to be insurance brokers, what will happen to the bancassurance model?

If banks want to shift to the broking model, they will have to create a need-assessment platform on which they can filter different products based on people's needs. They will have to train their staff about all products of insurers that they are going to sell.

Imagine that Canara Bank's 4,000 branches sell products of, let's say, five companies, and insurance companies give it commission cheques at the end of every month. How can it know if it has received what's due to it? Imagine the reconciliation job to be done.

But there are arguments in its favour...

I am going to debunk the myths associated with this model. The first is that it gives customers more choice. The customers already have many choices--he can go to web aggregators, brokers, and other agencies.

If you add up all bancassurance players, including

the likes of HDFC Life and SBI Life, all you get is a market share of 17%. So, there's no monopoly, no bancassurance company holding customers hostage.

I would say LIC has 70% market share (in terms of new premium) and 42 banncassurance tie-ups; so, if anybody is holding all the cards, it is LIC, and it gets only 5% of its premium from bancassurance.

Another argument is that the broking model will expand the market. The demand side does not grow just because you have more choice.

The next argument is it will stop mis-selling. If you have the intent to mis-sell, you will do that whether there are one or multiple products.

Myth number four is that new entrants can't get banking partners. Let's see the new entrants in the last five years--Star Union Daiichi, IndiaFirst and IDBI Federal (all have bancassurance partners). PNB Metlife proved that it was possible to shift from traditional agency model to bancassurance model. Aviva had the choice to go with Canara Bank but didn't. Tata AIA had a relationship with HSBC. The latter two had an option to choose a bank partner, but they opted for other banks. Aviva chose IndusInd and Tata AIA picked up Citi Bank. So, insurers do change their bancassurance partners.

What is your experience of broking model in other markets?

My experience in (South) Korea, where banks have ten providers, is of a wrong market. The reason is that banks hold all the power there. A bank would typically tell insurers that it has a large customer base and if they want to sell their products through it they would have to give it a hot product, with best prices and high commissions. Insurance companies fall over each other to offer the best deal (to the bank).

How can you check mis-selling by bank staff?

We do many things. We call up all investors and tell them that it's an insurance policy and not a deposit scheme. We tell them that insurance policies have a tenure of 10 or more years, these are regular premium products, etc. We take them through all the details and explain all features. If they are not happy, we do not issue the policy. Even if it is issued, they have a further 15-day free look period, where they can cancel a policy.

We do a sample survey every month where we ask (not all) policyholders how their experience was, if they were explained policy details and charges, if they were shown product brochure, etc. We have seen that most policyholders answer these in affirmative. If some of them are not happy, we take their feedback to properly train sales people.

"Bancassurance companies are not holding customers hostage, we only have 17% of the market share

HSBC does a very complex and thorough analysis that takes a couple of hours. HSBC customers are more wealthy and, therefore, the process is complex. The RBI has made it mandatory for banks to do need-based analysis and we are working with other bank partners to incorporate some procedures that HSBC is following.

We also have a 'potentially vulnerable customer' policy. If a customer has low income, hasn't passed 10th grade or has crossed 55 years of age, we do extra due diligence. So, we ask questions like if this person is 55 years of age, why is he buying insurance; this guy is not 10th pass, does he understand Ulips?

What changes has does the insurance ordinance brought to the industry?

It gives more power to the regulator, which is good. A lot has been said about the fact that claims cannot be repudiated after three years. Well, that is the law and the onus now is on insurance players to do proper due diligence at the time of selling. Nobody wants to reject claims. MT

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Spice Route

Most spices that trade on exchanges are likely to do well in 2015. Here's how you can gain from the trend | By Rahul Oberoi

It might be just the right time to spice up your portfolio, quite literally. The reason is simple. Turmeric, cardamom, chilli, coriander and jeera are some of the commodities on which experts are bullish for 2015. In six months till February 28, jeera and turmeric prices rose 35% and 29%, respectively, followed by cardamom (up 20%) and chilli (up 6%). However, coriander and pepper fell 38% and 18%, respectively. We bring the outlook for six spices that trade actively on domestic exchanges.

INVESTMENT OPTIONS

Cardamom: Harvesting of cardamom is done in about six pickings from August to March. These are done at intervals of 35-45 days. Prices fell 9% between September 1 and December 10 last year. From there, they rose 31% to Rs 1,104 per kg on February 26.

"Prices fell in October-November due to ample supply from the first two pickings. The carryover stock from the previous year also put pressure on prices. After that, unseasonal rain in Kerala's cardamom-growing areas pushed up prices," says Naveen Mathur, associate director, commodities and currencies, Angel Commodities Broking.

"Fear about low production and quality of the produce (due to disease) from other pickings sparked

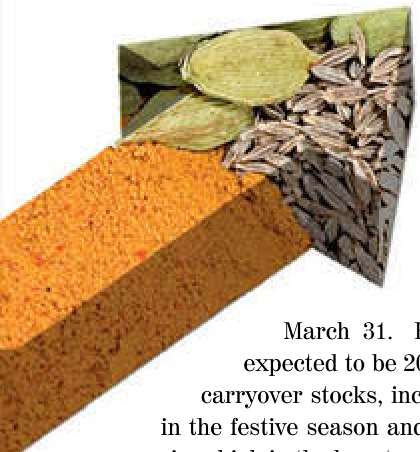
Photo Illustrations: ASIT ROY

demand from upcountry buyers and exporters," he says. Indian cardamom is in high demand globally due to superior quality.

Trade sources estimate 2014-15 production at 18,000-20,000 tonnes. But given the erratic monsoon and likelihood of disease, production may be 20-25% lower at 15,000-16,000 tonnes, say market experts.

Demand for cardamom has been rising due to increased use in food, medicines and cosmetics, and is estimated to be 22,000-25,000 tonnes a year. In 2014-15, arrivals up to February 7 were 13,099 tonnes as against 14,046 tonnes in the same period last year.

Besides India, major producers are Guatemala, Sri Lanka and Tanzania. The factors one must look at before investing are domestic supply, climate in growing regions of Kerala and Karnataka and demand from West Asia. The other factors are production in Guatemala, India's main competitor. One must also keep an eye on imports as cheap supplies from Guatemala in March-April suppress prices.



The penultimate round of picking is on and harvesting is expected to end by March 31. Experts say production is expected to be 20-25% lower this year. Low carryover stocks, increase in domestic demand in the festive season and rise in exports may keep prices high in the long term.

"Cheaper cardamom from Guatemala, which has started arriving in India in March, may drag down prices during March-June. In the second half of the year, prices will depend on the monsoon. Lower production in Guatemala this season and import duties may keep prices high. Cardamom may touch Rs 1,170-1,380 per kg and find support at Rs 900 and Rs 700 during the year," says Mathur.

Cumin Seed (Jeera): Lower production pushed up prices from Rs 11,150 per quintal on 1 September 2014 to Rs 15,050 a quintal on February 28. Sowing is less this year due to delay in harvesting of kharif crops and weather uncertainty, says Kunal Shah, head of commodity research, Nirmal Bang Commodities. Also, farmers showed lack of interest in jeera due to poor realisations in the previous year. Jeera is usually sown in November & December.

In Gujarat, till the end of December, the crop was sown over 2,59,400 hectares compared to 4,45,200 hectares at the same time last year. In Rajasthan, the second-largest producing state, the spice was sown over 3,39,000 hectares compared with 3,90,000 hectares in the previous year. The drop in acreage is 28%; in Gujarat, it is 42%.

"Production is expected to fall 25-30% in 2014-15 due to lower acreage and erratic weather. We expect production of 2.75 lakh tonnes compared to 3.58 lakh tonnes in 2013-14," says Shah.

Despite 35% lower production, India is likely to export 1,00,000 tonnes jeera this year, according to the Spice Board of India. This is mainly due to geopolitical

Investment Options

JEERA

SPOT PRICE

Rs**15,433**

Demand from Jordan and Iraq, which usually import from Syria and Turkey, has shifted to India over the last couple of years. Exports from India will gain from the price difference in the global market

TURMERIC

SPOT PRICE

Rs**7,867**

Low output and carryover stocks mean prices are likely to rise. In spot markets, the demand for new turmeric is rising in the main market of Erode in Tamil Nadu

Graphs show price movement in Rs/quintal, spot price as on March 13; Source: NCDEX

unrest in Turkey and Syria.

"Demand from Jordan and Iraq, which usually import from Syria and Turkey, has shifted to India over the last couple of years. Exports from India will gain from the price difference in the global market. We expect jeera to test the Rs 17,500 per quintal level in 2015," says Shah.

Turmeric: India is the largest producer, consumer and exporter of turmeric. Prices rose 29% in six months to February 28 (Rs 8,202 per quintal). For 2014-15, the opening stock is 32 lakh bags, while the output is expected to be 37 lakh bags, taking the supply to 69 lakh bags, 25% less than in 2013-14. "Domestic consumption and exports are likely to be 50 lakh bags and 10 lakh bags, respectively. Ending stocks are projected at nine lakh bags in comparison with 32 lakh bags in 2013-14," says DK Aggarwal, chairman and managing director, SMC Investments and Advisors.

Low output and carryover stocks mean prices are likely to rise. In spot markets, the demand for new turmeric is rising in the main market of Erode in Tamil Nadu, which is a positive signal for the commodity. "Upcountry exporters are optimistic about fresh orders. Stockists are buying fresh quality stuff from new arrivals as there will possibly be a shortage in the future. This season, production is expected to be lower in major growing states such as Telangana, Tamil Nadu, Maharashtra and Andhra Pradesh," says Aggarwal.

Pepper: High supply in spot markets and expectation of good production have been pounding pepper prices for the past six months. Pepper was trading at Rs 58,563 per quintal on February 28 as against Rs 71,700 per quintal on September 1. Expectation that the Food Safety and Standards Authority of India will release the seized pepper in the market after cleaning also weighed on sentiment.

Experts say production is likely to be 50,000 tonnes in 2014-15. The 2015-16 production is expected

CHILLI

SPOT PRICE

Rs**7,973**

Price trend will be mixed till April on account of peak supply season in India and high export demand from Bangladesh, Malaysia and China. Once we are through with the peak supply season, prices may start rising gradually

PEPPER

SPOT PRICE

Rs**57,000**

Production in Vietnam, the top producer, is anticipated to rise. Other major producers, Indonesia and Malaysia, are also expected to produce more, thus dragging down prices next year

Graphs show price movement in Rs/quintal, spot price as on March 13; Source: NCDEX

"PEPPER PRICES ARE LIKELY TO REMAIN MILD THROUGHOUT THE YEAR DUE TO EXPECTATION OF HIGHER OUTPUT. THE SPICE IS LIKELY TO TRADE WITH A MILD NEGATIVE BIAS."

HAREESH V, Research Head, Geofin Comtrade

to be 70,000 tonnes, the highest since 2002. Imports are likely be the same as last year.

Global production is also likely to be on the higher side. An International Pepper Community, or IPC, report says in 2015 global production is likely to be 3,74,200 tonnes. Production in IPC member countries is expected to be 3,44,500 tonnes, more than the last year's estimate of 2,88,700 tonnes.

"Production in Vietnam, the top producer, is anticipated to rise. Other major producers, Indonesia and Malaysia, are also expected to produce more," says Hareesh V, research head, Geofin Comtrade.

"Pepper prices are likely to remain mild during the year due to expectation of higher output and hope that the FSSAI will release the seized produce. Pepper is likely to trade at Rs 44,000-52,000 per quintal with a mild negative bias," says Hareesh V.

Coriander: Prices fell from Rs 11,253 per quintal in September to Rs 6,926 at the end of February. "Expectation of higher production and weak demand are keeping sentiment weak," says Ajitesh Mullick, assistant vice president, retail research, Religare Securities.

Coriander is sown mainly in Rajasthan but sowing has picked up in Gujarat too due to high prices last year. This, and rains during sowing in October-December last year, kept production high.

Rajasthan is expected to produce 80-90 lakh bags (1 bag = 40kg) and Gujarat 30-40 lakh bags. These figures are 40-50% higher than last year.

"The short-term trend is still weak as arrivals continue till April. The NCDEX Dhaniya April contract, trading at Rs 6,300 per quintal, has immediate support at Rs 5,900-6,000 and long-term support at Rs 5,400-5,600. From mid-April, once arrivals slow and demand rises, price recovery will be possible. Long-term resistance levels are Rs 7,100 and Rs 8,400. We expect short- to medium-term bearishness and long-term bullishness for the commodity," says Mullick.

Chilli: Prices of chilli rose from Rs 7,508 per quintal on September 1 last year to Rs 7,986 per quintal on February 28. Nidhi Chandel, assistant manager, commodity and currency research, Globe Commodities, says, "A 6% jump in chilli prices (Guntur) between September 2014 and February 2015 was due to 17% rise in export demand in April-September 2014, expectations of lower production in 2014-15 and limited stocks in mandis. The rise in September-October was triggered by limited supply from Madhya Pradesh and Maharashtra."

India produces one-two million tonnes chilli a year; global production is 2-2.5 million tonnes. India is the largest consumer of chilli; nearly 80% of India's production is consumed within the country. In 2013-14, production was 1.2 million tonnes. Market experts say 2015 production and consumption will be similar to that in 2014. Chandel says, "We expect a mixed price trend till April on account of peak supply season in India and high export demand from Bangladesh, Malaysia and China. Once we are through with the peak supply season, prices may start rising gradually." MT

@iamrahuloberoi

CARDAMOM

SPOT PRICE

Rs**1,118**

Fear about low production and poor quality sparked demand. But cheaper imports from Guatemala, which started arriving in March, may drag down prices during the non-festival season (March-June)

Graph shows price movement in Rs/kg, spot price as on March 13; Source: Ace Equity

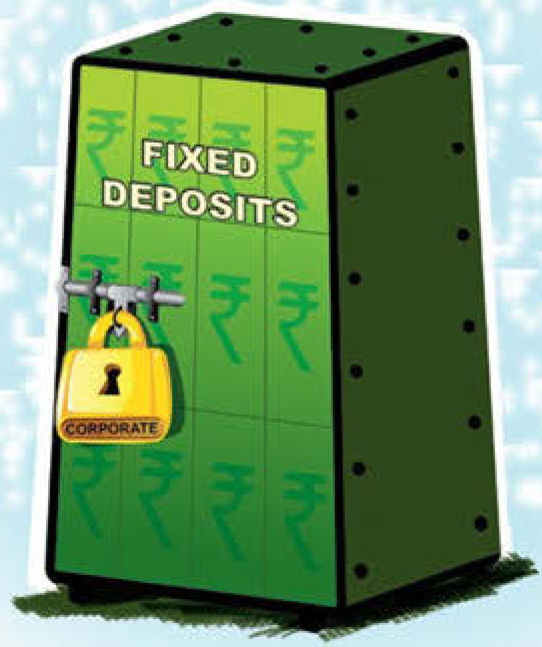
CORIANDAR

SPOT PRICE

Rs**7,254**

Hope of good production have been pounding prices for the past six months. Rajasthan is expected to produce 80-90 lakh bags and Gujarat 30-40 lakh bags, 40-50% more than last year

Graph shows price movement in Rs/100 kg, spot price as on March 13; Source: NCDEX



NOT FULLY SECURED

Company FDs give higher returns than bank deposits, but don't invest unless you are absolutely sure about the company's credentials | By **Tanvi Varma**

Before the advent of debt mutual funds, corporate fixed deposits were a popular investment option for investors seeking regular returns. Further, in a downward trending interest rate scenario, corporate FDs were an attractive proposition as they offered an additional return of one to three percentage points over bank FDs. However, the recent fate of some companies has put a question mark on the credibility of corporate fixed deposits leaving investors in the lurch.

One such case is that of Elder Pharma. The company had been raising money through its fixed deposit program for the past few years, but it this year the company defaulted on its interest and maturity repayment. In 2012, investors flocked to the company fixed deposit scheme of Elder Pharmaceuticals by locking into a rate of 11.5% for 3 years, which was an effective yield of 13.5%. However, in January 2015 the company wrote a letter to its deposit holders mentioning its inability to repay interest and principal amount to shareholders due to a liquidity crunch. The company's financials have been in a bad shape off late. It posted a loss of Rs 72 crore for the quarter ended December 2014 with revenue of Rs 35 crore, compared to a loss of Rs 47 crore in the earlier quarter and revenue of Rs 85 crore. But Elder Pharma is not the only company in this list.

Omnitech Infosolutions, a company involved in providing IT services, was popular amongst depositors for offering a return of 12.5% on its three-year deposits. However, the company defaulted

In Good Company

COMPANY	RATING	1-YEAR RETURN
DHFL-Aashray Deposit Plus	CARE-AA+, BWR-FAAA	9.5
GRUH Finance	CRISIL-FAAA, ICRA-MAAA	9.0
HUDCO	FITCH-TAAA, CARE-AA+	9.15
LIC Housing Finance	CRISIL- FAAA	8.9
Mahindra and Mahindra Financial Services	CRISIL-FAAA	9
NHB (SUNIDHI SCHEME)	CRISIL-FAAA, FITCH-TAAA	8.25
PNB Housing Finance	Crisil-FAA+	9.25

on its interest payment in 2013. In its annual report for 2013-14, the company stated the default on repaying deposit holders. The company's income from operations dipped over 50% in 2013-14 compared to 2012-13 and it posted a net loss of Rs 143 crore compared to a profit of Rs 18 crore a year ago. Investors who chased the FD of Ind-Swift Laboratories, which offered an interest rate of 12.5% on a three-year fixed deposit and 10.5% on a one-year deposit, too suffered the hardship of recovering their interest and maturity amount when the company defaulted in September 2013. Higher borrowing costs, lack of demand and the resultant drop in profit margins took a toll on several companies, especially in the mid cap segment. According to a study by Crisil for 2013, the default rate for Crisil-rated firms rose to 346, the highest in any year. The increasing number of defaults could be attributed to the increase in number of firms rated "BB" or lower (See *What the Ratings Imply*) by Crisil.

Tighter norms

According to Anil Chopra, group CEO & director, Bajaj Capital, amendments in The Companies Act have made it difficult for companies to comply with the stringent provisions, resulting in a delay in making interest payment as well as refunds. First, the companies must get themselves compulsorily rated by an accredited credit rating agency like Crisil, ICRA or CARE, which is mainly a rating on the company's liquidity and ability to pay deposits on time. Also, this rating should be obtained for every year during the tenure of deposits. Companies have also been asked to keep aside at least 10% of the amounts collected as a reserve so as not to create any cash flow mismatch. Further, companies that extend their deposits to the public must have a net worth of Rs 100 crore or more and turnover above Rs 500 crore. This aims at weeding out companies that don't have the financial stability to accept deposits, as well as smaller companies that aren't serious about meeting requirements. However, it is not mandatory for companies other than NBFCs to get their fixed deposits rated. So, investors should research on those companies as well. Having said that, there are more NBFCs offering fixed deposits currently, which carry varied ratings. (See *In Good Company*).

Red Flag

- Avoid fixed deposits rated lower than AA
- Avoid companies with a track record of less than ten years in business
- Avoid companies in troubled sectors like real estate
- Avoid companies that offer extraordinary high interest rates as they are compensating for the higher risk associated with their deposits
- Avoid companies that have had trouble repaying interest and principal amount in previous issuances and have a history of high leverage

Factors to consider

Investors must understand that funds raised through company fixed deposits are treated as unsecured loans and investors have limited legal recourse in case of a default. "In case of default, the investors must first file a complaint with the investor grievance cell of the company. They can then lodge a complaint with the Ministry of Corporate Affairs (MCA). They can also can file a 'winding up petition'," says Chopra. The MCA offers investors the online route for filing of complaints. If the company in which you have made the investment happens to be a

What The Ratings Imply

FAAA ("F Triple A") Highest Safety	Indicates that degree of safety regarding timely payment of interest and principal is very strong.
FAA ("F Double A") High Safety	Indicates that degree of safety regarding timely payment of interest and principal is strong, but not as high as for fixed deposits with 'FAAA' ratings.
FA Adequate Safety	Indicates that degree of safety regarding timely payment of interest and principal is satisfactory. Changes in circumstances can affect such issues more than those in the higher rated categories.
FB Inadequate Safety	Indicates inadequate safety of timely payment of interest and principal. The uncertainties that the issuer faces could lead to inadequate capacity to make timely interest and principal payments.
FC High Risk	Indicates that degree of safety regarding timely payment of interest and principal is doubtful and adverse business or economic conditions could lead to lack of ability or willingness to pay interest or principal.
FD Default	Indicates that fixed deposits are either in default or are expected to be in default upon maturity.
NM Not Meaningful	Instruments rated 'NM' have factors which render the outstanding rating meaningless. These include reorganisation or liquidation of the issuer, the obligation being under dispute in a court of law or before a statutory authority etc.

listed company, complaint or grievance redressal can also be expected from Sebi.

It is understandable then, why financial planners like Gaurav Mashruwala refrain from advising their investors to invest into corporate fixed deposits. “A large number of these companies approach small investors because banks and other lenders are reluctant to lend them money,” he says. Unless there is a real difference in terms of the absolute amount earned on one’s investment, there is no need for investors to park their hard earned money into corporate FDs. If one were to invest into a company fixed deposit, he suggests investing in papers rated AAA+ only.

According to Chopra, there are several fixed income options available for a tenure of one to three years and these include short-term and long-term debt funds (accrual option), fixed maturity plans, etc.

In the current scenario, according to Lakshmi Iyer, CIO (debt) and head, products, Kotak Mutual Fund, investment products like fixed deposits tend to secure a fixed rate of interest to the investor, thereby not allowing any potential capital gain that is likely to arise out of anticipated reduction in interest rates. Equally important is to assess the creditworthiness of the company one is lending to: in case of a credit default, one may end up losing the capital as well.

So, while it is not a bad strategy to invest in corporate FDs to secure some stability in rates, one should be cognisant of the above risks. “In a reducing interest rate environment, the essence would be to enhance ones portfolio duration, the current scenario therefore seems conducive to invest in strategies like gilt and bond funds with a one- to three-year perspective,” she adds. Mutual funds are allowed to lend only to banks in the form of fixed deposits; that too for pending cash deployment. They typically have rigorous credit risk evaluation and surveillance mechanism, which allows them to monitor every credit.

Being in the fiduciary business, the AMCs therefore exercise reasonable caution while lending to the corporate sector. Further, mutual funds are well regulated by Sebi and hence the safety quotient is much higher for investments in mutual fund schemes as compared to corporate FDs. MT

@vtanvi

VOLUNTARY GAINS

Here are a few tips on how to invest your VRS money | By **Teena Jain Kaushal**

Illustration: PRAGATI

Sanjay Kumar, 50, had no clarity on what he should do when his company offered him retirement. The company was incurring losses and was on budgetary support for the last many years. "Given the unstable condition of the company I decided to opt for the voluntary retirement scheme (VRS)." However, he was fearful that the money he would get would not last for life. He was also not sure if he would be able to find another job. He decided to consult his financial planner. "The planner advised me to create an income stream," he says.

There are many people like Sanjay who have to make the difficult choice between continuing with their jobs and walking away with VRS money.

Suresh Sadagopan, founder of Ladder7, a financial planning and advisory firm, says, "VRS is a good option if one is in a position to get employed or the company gives full pay for the remaining service. If it is not lucrative, one can continue, but it may be that later one is eased out of service on one pretext or the other."

Several private and public sector companies have come out with VRS of late. For example, thousands of employees at Nokia's plant in Sriperumbudur recently opted for VRS. The fallout was that Foxconn, which was supplying more than 70% parts to Nokia, also suspended production at its Chennai factory and offered VRS to employees. The Ministry of Heavy Industries and Public Enterprises has also said that the government is in the

process of winding up at least seven loss-making public sector companies.

You must be cautious with the money you get because studies have shown that as many as 70% people who get a windfall lose it within a few years. It is, therefore, important to create a regular income stream. Here are a few tips on how to go about it.

WHERE TO INVEST?

One should determine asset allocation on the basis of one's goals and risk profile. Lovaii Navlakhi, founder and CEO, International Money Matters, a Bengaluru-based financial planning and advisory firm, says, "There can be an inclination to splurge and improve lifestyle without considering the future. This must be avoided."

One important point is that the person may not be near the superannuation age and so the number of years for which he needs to plan can be three or more decades. Hence, he must invest some money, say 40-45%, in equities or equity-related assets, and the rest in instruments that give regular income. Sadagopan of Ladder7 says, "If they are going to get a job, they will not need the funds. So, they can invest in a manner that the corpus grows."

"If a person is in the higher tax bracket (taxable income is above Rs 5 lakh), he can look at options such as arbitrage funds. But if the annual taxable income is less than Rs 5 lakh, he can look at options such as post office monthly income schemes and bank fixed deposits," says Harsh Roongta, director, *apnapaisa.com*.

Interest from the latter two schemes is added to the income and taxed according to the person's tax slab. The former are more tax efficient, as we explain in the following paragraphs.

Here are a few products you can invest in for periodic payments.

Monthly Income Plans (MIP): MIPs are ideal for those who wish to invest in debt but also want small exposure to equities. MIPs offer monthly income by investing around 80% money in debt and 20% in equities. The dividend is tax-free in the hands of tax payers. MIPs have returned 10% a year in the last five years.

Tax rules are the same as for debt mutual funds. Short-term gains are added to the income and taxed according to the person's tax slab while long-term capital gains are taxed at 20% with indexation.

Systematic Withdrawal Plans (SWPs): You can invest in debt or equity plan of a mutual fund and opt for the SWP facility. In SWP you decide both the quantum and frequency of payments.

Post Office Monthly Income Scheme: You can invest up to Rs 4.5 lakh and in case of joint account up to Rs 9 lakh in this scheme. It offers a return of 8.40% per annum, payable monthly. The maturity period is five years.

Annuities: Annuities protect customers from outliving savings by giving guaranteed income. The premium is invested in bonds. Interest rates are as per the yield curve when the annuity is priced. The returns are usually 6-7%. But remember that annuity income is taxable.

MISTAKES TO AVOID

Many people start their own business from VRS money. This could be dangerous. If you want to do this, go for a business that does not require much capital. Many people also invest VRS money in real estate, forgetting that it eats into future income if one has taken a loan also. "Real estate sector has lots of uncertainties. Also, rental returns from residential properties are around 2% at the net level. For commercial properties, the figure is 4-6%. Also,there are periods when the property is not on rent. Hence, this option can be given the go by," says Sadagopan. Then there are people who get attracted to schemes that promise super returns. This must be avoided at all cost. MT

@Teena_Kaushal

Options For Monthly Income

MONTHLY INCOME PLANS: MIPs suit those who want to invest majorly in debt and a small part in equities. MIPs have returned around 10% in the last five years.

SYSTEMATIC WITHDRAWAL PLANS: You can invest in debt or equity plan of a mutual fund and opt for the SWP facility for monthly income.

POST OFFICE MONTHLY INCOME SCHEME: You can invest up to Rs 4.5 lakh in the scheme. It offers a return of 8.40% per annum, payable monthly, and has a maturity of five years.

ANNUITIES: Annuities offer periodical payments. The premium paid is invested in bonds. They offer a return of 6-7%.

EASY WAYS TO GET HOME

Real estate online portals make it easier for buyers to view, rate and analyse property without visiting the actual site | By **Renu Yadav**

Gone are the days when purchasing a product was synonymous with walking into a busy market. Online shopping has resulted in customers tapping their phones and tablets for purchasing all they need from shoes to gadgets. An addition to the products on offer online has been a slightly more expensive asset—real estate. Real estate search engines with classified ads have existed for quite some time, but the days of limited search for listed properties in a particular area are long gone. Real estate online portals have now evolved to provide a data-backed analysis of each and every micro market with minute details of the property. They are now emerging as a one-stop destination for not only buying property, but also advise on getting finance and preparation of rent agreements.

The trend has gained momentum as customers are also now comfortable considering buying real estate online. "We saw some early signs around the online booking trend last year when we partnered

Illustration: PRAGATI

with Google during the Great Online Shopping Festival to offer over 300 real estate deals to prospective buyers. More than 200 builders across 20 cities participated in this initiative, confirming the potential," says Narasimha Jayakumar, chief business officer, *99acres.com*.

The following are features that online portals provide. Most of the features mentioned below are free.

Map-Based Search

As mentioned earlier, getting the list of properties after entering the criteria like budget, size of apartment, city, etc. is now passé. Now, you get to see the actual location of the property and also compare the various properties listed in that area as per their location. The facility, available on almost all online portals, also helps you locate nearby hospitals, roads, malls, cinema halls, schools, parks, ATMs, etc. in the area. This helps a potential buyer get a clearer picture of the area where the property is located. The search also informs you about the distance and travel time to the nearest key establishments like metro station, bus stop, airport and hospitals.

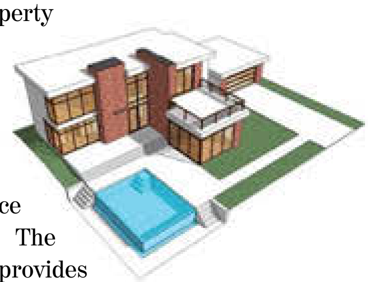
"Map-based search reduces the number of searches as compared to the traditional method of keyword-based search. The feature directly addresses the need to identify properties in locations that one cannot visit. This aids decision making," says Sumit Jain, co-founder & CEO, *commonfloor.com*.

Virtual 3D Tours

While maps can tell you all you need to know about the location and development around it, what about the house itself? The norm, until now, has been to wait until the sample flat is ready, at least in case of newly-launched projects. So, online portals have come out with a solution called virtual 3D tours. The feature makes use of latest visualisation software, which uses details from the same floor plan along with inputs pertaining to the height of the room to create a 3D view. This feature provides the property seeker a 360-degree view of the rooms. It helps users to get a good feel of the property in terms of space, lighting and ambience. On *99acres.com*, a person has to click on the camera icon displayed on the floor plan view on the side of the screen and rotate it for the view. Similarly, *housing.com* calls it the 'slice view feature' which is available for newly-launched projects, while *commonfloor.com* calls it the 'virtual tour feature'.

Skyview Feature

Launched by *commonfloor.com*, this allows people to get an aerial view of the property and its surrounding area without having to visit the location in person. This saves a lot time and effort for buyers, who are spared the cumbersome practice of visiting each property. The website, which currently provides this facility for properties listed in Bangalore, uses phantom drones to click images of properties and their vicinity. Images clicked are then woven together to provide users with a 360-degree view of the location. These drones are set at a height of about 180 metres, keeping in mind the top floor of the under-construction building.



Verified Properties

"The main issue that real estate buyers face is authenticity of data," says Advitiya Sharma, co-founder, *housing.com*. There are chances that your search list might have properties which do not exist. To address this issue, online real estate companies have 'verified' properties on their websites. Every property listed on *housing.com* is verified. All the listings on their website have real photos of property taken by data agents. Other online portals like *99acres.com*, *commonfloor.com*, *magicbricks.com* are also encouraging their customers to get their properties verified as this increases the number of responses they receive. *99acres* rolled out verification services recently in Chennai, Hyderabad, Kolkata, and Pune. The verification is done free of cost. The verified tag attached to the property increases its chances of being sold.

Also, apart from the photographs and videos, data agents collect minute details about the property so that the seller will not have to answer calls regarding the

minute details about the property. According to Sharma, data agents of *housing.com* collect information on around 100 points about a single property.

Site Visit

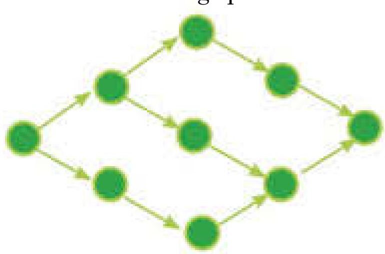
Real estate online portals are adept at providing you a clear picture while you lounge in your house. Some go a step further. *Commonfloor.com*, offers a customised site visit feature for users. It provides a cab at the choice of time and date and pick up location to take the buyer to the project of their choice promoted on *commonfloor.com*. This is free of cost for the buyer.

Know Your Builder

99acres.com have introduced builder pages on the site to give users a sense of builder track record. This page gives basic information about builders and the list of their past, current and upcoming projects. You also get information about the price trends of the various projects of the builder.

Algorithms to Simplify Decisions

Price Heat Maps: Price data is visually shown on a map to give people an idea of the price variation with geography. You can now simply hover over a locality and find the average price of the houses.



Visibility Index: This index, launched by *housing.com,* simplifies the search process. Under this, properties which are more popular are shown under the default zoom option. So, you can look for other properties by zooming in further.

Inventory Demand and Supply: It shows where people prefer to live in a particular city and the supply of properties in the various areas of a city, along with the online demand for property in the particular area.

Housing Lifestyle Rating: It rates living experience in a particular apartment, using factors like locality score, society score, neighbourhood and connectivity score.

Child Friendliness Index: The index, provided by *housing.com*, measures localities on three different criteria: number of schools, hospitals and parks in an area. The schools in an area are given greater weightage in creating the final composite score. The index marks areas according to how child-friendly they are, using colours, with red used for the most child-friendly while green is for areas that are not child-friendly.

Apartment Management Solutions

Commonfloor.com has an apartment management software designed to manage day-to-day activities of gated communities. It includes online notice board posts and residents' directory. It can also be used for updating & managing accounts, maintenance dues and registering complaints. Through this software, residents can communicate with one another, have apartment-related discussions, organise events, etc. The residents can also use the payment gateway for paying maintenance fees. They can also access the repository of home service vendors like carpenters, architects, plumbers, day-to-day home repairs and maintenance.

For RWAs, it provides functions similar to Enterprise Resource Planning (ERP) and the administrators can use it to manage accounts, delegate activities, set reminders and generate receipts. They can also use the platform's SMS and email services to circulate important messages among residents.

Rent Agreement Online

Housing.com has launched a facility for properties in Bangalore, under which people can create and customise their rent agreement. You just need to provide basic details and add clauses relating to parking, tenure of agreement, furnishing and much more to generate the agreement that suits your need. *Housing.com* will prepare the agreement and take care of the paperwork for a small fee. It will deposit the required stamp duty and will get the rent agreement dropped at your place within 48 hours. MT

@moneyrenu

TAXATION

Q ***My father recently sold some ancestral property and wants to use the proceeds to buy another property in the city. Can he claim long-term capital gains on the sale? My father also wants to take a home loan. While he has no income, I fall in the 30% tax bracket. Who should apply for the loan?***

—Ritesh Tomar, Jhansi

A Yes, since the property sold has been held for more than three years, there would be long-term capital gains. The tax on this can be saved by investing the gains in a new residential property. He can take the loan but he will not get any tax benefit because his income is below taxable limit whereas it would be 30% in your case. Hence, you should take the loan to claim tax benefits.

TAXATION:

Q *I am a 28-year-old professional and earn about Rs 4.5 lakh per annum. I have never filed my returns until now, since I had nothing to claim. This year, I will file my returns for the first time. Is it necessary to file returns? If yes, then what can I do about the missed years?*

—J Chatterjee, Delhi

A Yes, it is mandatory to file tax returns if your gross total income is above Rs 2.5 lakh per annum before deduction under Section 80C. You can still file returns for the last two years, without any permission or penalty, assuming your taxes have been paid. If you want to file returns for more than two years, write to your local income tax ward for allowing you to submit the return, along with reason for not filing till date. The income tax authority will condone the delay and issue notice under Section 148 to file the return. It is not necessary to file it if your income is below the basic exemption limit.

Q *I have been investing Rs 1 lakh per annum with the idea of building a corpus for my eight-year-old daughter for her higher studies. Since I do not have an appetite for equity investments, I have invested in PPF. However, with the launch of the Sukanya Samriddhi Yojana, I am confused. Do you think I should invest in this scheme from next year? What could be the possible pitfalls of investing in this scheme as opposed to the PPF?*

—Mohan Srivastava, Delhi

A You should invest in Sukanya Samridhi Yojna if you have additional money to invest or are looking for higher returns than PPF but with the same level of assurance. The scheme offers 9.1% interest per annum compared to 8.7% offered by PPF, but has benefits similar to PPF: tax-free return and deduction under Section 80C. However, do note that these two deposit scheme are fixed-income avenues with zero backup options if something happens to you or your income. In such a situation, a Ulip offers guaranteed payment for studies. Generally, parents sacrifice their retirement corpus for children education which should be avoided through education loan. Hence, the best investment decision can be taken by reviewing the complete investment portfolio and financial goals.

LIFE INSURANCE:

Q *I am a 54-year-old businessman and do not have any life insurance. However, I wish to*

FINANCIAL PLANNING:

Q ***I had turned a guarantor for a friend's loan and last month, was informed by the bank that my friend had started defaulting on his payments. What are the implications for me if my friend does not manage to pay the loan? Can I still be a guarantor to another loan?***

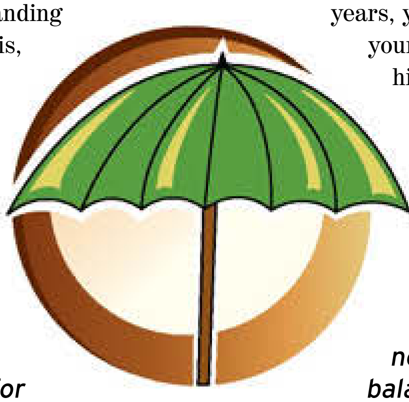
—CR Pandit, Bhilai

A Please note that in case of a default, the bank can take possession of the person's personal assets. and if they are not enough to recover the outstanding loan, the bank can also take possession of the guarantor's assets. You can be a guarantor for more than one loan, provided the bank deems you eligible.

buy a life cover for ten years since I believe I will be contributing financially till the age of 65. Can I buy a term plan now? If yes, does it make more sense to buy it online or offline?

—Madan Garg, Delhi

A You can surely buy a term plan at your age. However, since you are at a critical stage in life, it makes sense to consult a financial planner before you buy the cover. The thumb rule says that your cover must be at least ten times your annual income plus outstanding debts. After the completion of need analysis, you can buy it either online or offline. Online term plans are relatively cheaper than offline term plans since it does not involve any fee for advice.



Q *I am a 33-year-old woman earning about Rs 6 lakh per annum. A couple of years ago, I bought a term plan of Rs 50 lakh. I plan to get married next year and take a break from work for at least five years. In that case, should I continue with my policy or let it lapse? I will not be contributing financially in the coming days, and since I smoke, my premium is high. What are the advantages of continuing with this cover, instead of buying one again when I start working?*

—Raveena Sharma, Pune

A Term plans are pure-vanilla protection plans that guarantee financial security to a family in case an unforeseen event happens with the insured person. The premium of the policy is determined on the basis of the person's age and health, which means the premium depends on how young you are and the state of your health. Since you have already bought the policy, it is advisable to continue with it. If you surrender your current policy and buy one again after five years, your premium will be higher than your current policy. Moreover, at higher age, you are at a higher risk of having health-related issues that could further increase the premium.

FINANCIAL PLANNING:

Q *I have been investing Rs 2,000 a month in a mix of equity funds. I am now planning to invest in balanced funds also. However, my advisor believes that given the impending bull run in the market, I should add another equity fund since PPF and FDs cater to my debt needs. How should I decide where to invest? I have a high-risk appetite, but believe that balanced funds are poised to benefit more from the bull run than*

INSURANCE:

Q ***I am a 50-year-old professional and earn about Rs 9 lakh a year. I plan to retire in the next five years, but will continue to contribute to my family's financial needs. How should I decide what cover to buy? Should I buy an online or offline term plan?***

—Mayur Sharma, Gurgaon

A Since I am unaware of your exact financial standing, it is best to initiate a need-based analysis with a financial advisor to zero in on the right cover amount. Keep two points in mind while making a plan: protecting your financial income through life insurance as it forms the base of any good financial plan and reviewing your plan every year to modify the same if required.

equity funds without taking too much risk.

—Diebojit Saha, Kolkata

A Remember that continuous and systematic investing is the key to successful investing. A balanced fund offers you the benefit of investing in both equity and debt. At the same time, the returns would be capped due to the presence of the debt component in its portfolio. The risk levels of these funds are comparatively lower as they switch allocation dynamically based on market conditions with a minimum of 65% allocation into equity and the rest in debt. It is advisable to revisit your portfolio once and based on the overall allocation of funds and exposure to different asset classes, you can decide on whether to go in for a balanced fund or a pure equity fund.

Q *I want to build a corpus of Rs 20 lakh in about 12 years for my child's higher education. I have been considering taking child plans as they promise tax benefits and payment of premium if something happens to me. However, my wife believes that they are expensive and that I should invest via SIPs in a mix of equity and debt funds. How should I decide on where to invest?*

—Priyesh K, Chennai

A It is advisable to revisit the required corpus as cost of education is expected to grow substantially in the next twleve years and the above-mentioned amount may not suffice for your child's education needs. However, based on your current requirement, if you invest Rs 7,000 per month via SIPs in a combination of equity funds, the corpus is likely to grow to about Rs 22 lakh, assuming a return of about 12% per annum. However, remember that returns on equity-related instruments are not fixed and as such, they are not advisable if you are risk averse. You can alternatively consider Ulips as they invest in equity and provide you with a risk cover and tax benefits. Various Ulips have different terms and conditions pertaining to the lock-in period and withdrawals. I suggest you to to carefully assess them based on your needs before making a decision.

DO YOU HAVE QUERIES ON TAX, INSURANCE, INVESTMENTS?

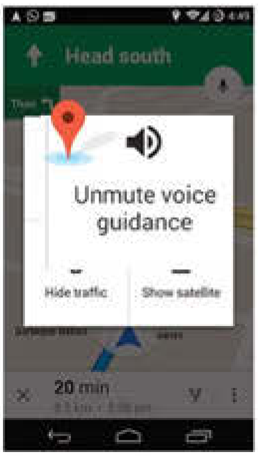
Anil Rego, CEO, Right Horizons, has tackled financial planning; Rajesh Sud, CEO and Managing Director, Max Life insurance takes on life insurance queries & Sudhir Kaushik, Co-founder and CFO, Taxspanner.com, has provided tax solutions.
Log on to *moneytoday.in* to submit your questions.

MAPS TO THE RESCUE

We often ignore the potential of mobile services that are free to use – mapping apps, for instance. Google Maps, Waze, Sygic, and NaviMaps offer much more than turn-by-turn voice navigation | **NIDHI SINGAL**

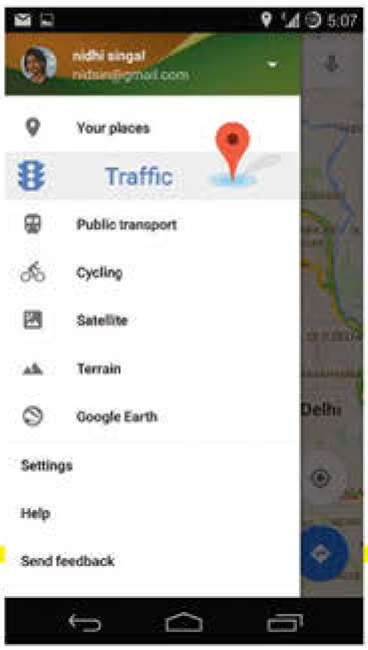
Turn-by-turn Voice-guided Navigation

Gone are the days when you had to roll down your car's window to ask for directions. Google Maps is the best when it comes to providing accurate directions. It also supports voice prompt that eliminates the need to look at your phone's screen again and again. NaviMaps, a paid feature, on the other hand, offers real-time turn-by-turn voice guidance in 10 regional languages apart from English.



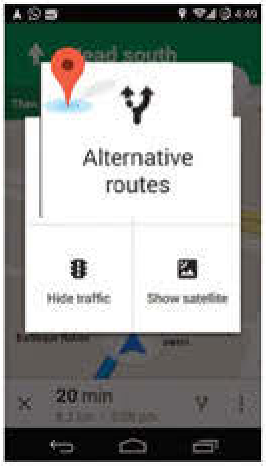
Live Traffic Update

If you are trying to find out how much time it will take you to reach your destination, try Google Maps. It shows the traffic movement by using colours – green means no traffic delays, orange is for a medium amount of traffic, red means traffic delays and dark red stands for slow speed or jams. This service is available in 20 cities. NaviMaps and Waze also offer live traffic updates.



Offline Maps

Offline maps are useful when travelling to remote areas where Google Maps, which needs the Internet to work, won't be handy. Sygic and NaviMaps work brilliantly in the offline mode, but you need a lot of space to store maps from these heavy apps. For instance, the Sygic app is 43 MB but its India map is a space guzzler at 669 MB. Similarly, MapmyIndia has divided India into four parts – North, West/Central, East and South – that together take up almost 700 MB.

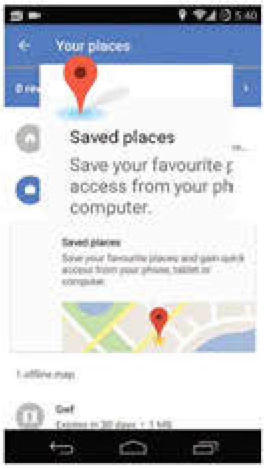


Alternate Route

All these apps help calculate the shortest possible route. But, what if you are stuck in a jam and want to take a different road? In such a case, the 'alternate route' feature comes in handy. It works best when used with live traffic update as it shows how much time you will take to reach the destination using the alternate route as well. With Google Maps, the alternate route is highlighted. NaviMaps claims to offer three alternate routes (in offline maps).

Explore Local Businesses

Maps also have a search feature. If you are looking for something specific, say coffee, just type it in the search bar and all the nearby coffee houses will be highlighted. Points of interest like hospitals, restaurants, pumps, etc., are categorised. NaviMaps even offers local house address for a few cities.



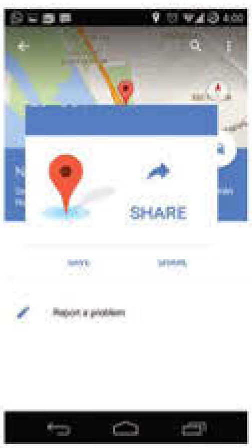
Save Favourite Place

If there are places you visit once in a while, you can add them to favourites or save the location. The next time you plan to visit them again, you can simply select it from your saved places.

Verdict: The best mapping solution is, undoubtedly, Google Maps that not only offers turn-by-turn voice navigation, but its traffic information is also accurate. And most importantly, it is free. But it works only when you have an Internet connection. The paid apps, too, have some advantages such as offline mode and regional voice guidance, but the user base isn't as big as that of Google Maps.

Share Location

Gone are the days when one used to share one's address. Today, the new way of sharing an address is to pin the location on the map. With Google Maps, you can simply touch and hold the location to drop a pin and then share it over WhatsApp, Facebook, email, etc.



Tips

1. No point of paid mapping software when you can get the best ones for free.
2. In remote locations, try accessing data using maps that can be used in offline mode.
3. GPS and navigation drain the battery quickly, so either use it wisely or carry a battery pack.
4. Turn off location services and GPS when not in use.
5. Always check live traffic before starting your journey for the best/shortest possible route.

Courtesy: Business Today

The hot & the not so Happening

We introduce new products to help you zero in on those that could offer value for money

ACER ONE

Acer has unveiled its new 2-in-1 Acer One notebook cum tablet. This machine comes with four models for touch, typing, viewing and sharing at any time. Running on Windows 8.1 operating system, it has got a 10 inch HD Display and Intel Quad-core CPU. It has got 32GB onboard storage and will be available in two variants-1 GB and 2 GB RAM.
Rs 19,999

X ROCKER

The new state-of-the-art sound chair of X Rocker has been designed by Ace Bayou Corp. The chair comes with inbuilt speakers and subwoofer for an enhanced entertainment experience. The chair has a racy red trim with a black and grey frame and seat. It has a foldable construction and has got side control panel with volume, bass control and band switch. It has an ergonomic design with full back support. It has also got a headphone jack for personal use and even plays content through Bluetooth devices.
Rs 12,999

ASUS FONEPAD 8

Asus has launched an 8inch tablet with 3G functionality. This Android tablet has got a display with 1280x800 pixel IPS panel and dual front speakers. It is equipped with a 64-bit quad-core Intel Atom processor Z3530 1.33GHz that can run the latest apps and games. Built-in 3G connectivity and dual SIM slots provide crystal-clear voice calls. Fonepad8 is available with 16GB of onboard storage, which can be further expanded with up to 64GB of Micro SD Card storage. It has got a 4000 mAh battery.
Rs 13,999

BOAT PITCHER

Boat has launched a stylish and trend setter Bluetooth speaker - Pitcher. It is a compact Bluetooth speaker with 10 hours of battery backup of a single charge. It has an interactive prompts and speakerphone with mic. Its sophisticated airflow technology delivers ultra strong bass and dynamic sound performance. It is available in three colours - blue, black and mint.
Rs 3,990.

LG INVERTER AIR CONDITIONER

LG Electronics has announced the launch of its new range of air-conditioners, the inverter V Air Conditioners with Mosquito Away Techonolgy. The new models also come with Himalaya Cool and Monsoon Comfort technologies, designed especially for Indian weather conditions. Ensuring 1.7 times faster cooling, the Inverter V Mosquito Away Air Conditioner has the Variable Tonnage Technology which reduces energy consumption by up to 66% along with protection from mosquito-borne diseases.
Rs 45,000 onwards

Courtesy: Gadgets & Gizmos

Maintaining The Value of Your Car

AUTO BILD INDIA tells you how to make your car last longer and maintain its value, so that you get the best possible resale amount

Why is value important

Like you would want to maintain the value of any investment, you would want to do the same with the value of your car. Buying new isn't always the most valuable investment in a car. But keeping a car you own in top shape is worth when you plan to sell your car.

Avoid Excessive Mileage

Use your car for essential journeys, and try to use public transport if you can. If you're planning on taking a long trip consider using a rental vehicle. Excessive mileage on your vehicle can lower its value considerably. If you have a long commute, see if there is somebody you work with that would be willing to carpool. The two of you can switch off driving on different days, and both of you will benefit.

Store Your Car Carefully

If you are not going to use your car for more than a month, store it properly to prevent unnecessary damage and repairs upon your return. Storing your car outdoors can lead to damage by extremes of weather. Sunshine can cause your car's paintwork and interiors to fade, and extreme cold can cause engine damage. Therefore always store your car in a garage if you have one. Yet another simple way to ensure longevity of your vehicle and getting a good resale value.

Fancy features

If you do want your car customised, stick to non-intrusive upgrades such as new wheels or an upgraded stereo that won't require extensive re-wiring or cutting up the dashboard. Try and save the old parts incase the new owner wants to see them.

Avoid Unnecessary Wear and Tear

Excessive wear and tear is not a favorable way to maintain the value of your car. Quick take-offs, hard braking, extreme speeding and driving over poor roads that can take a toll on a car's mechanicals. You should also always try to keep your vehicle clean inside and out. Use wax to maintain its paintwork. Regular washing of your car will also remove the salty deposits that can cause rust and loss of sheen. Treat your car with respect.

Avoid Accidents and Collisions

If a car has a history of accidents and collisions, it is difficult to get the highest resale value. If an accident occurs, make sure you go to a reputed body shop for repair work. This will help maintaining the value of your car. Address minor damages immediately such as windshield nicks and cracks and scratches. At resale time, the owner should also disclose any body work or collision repairs that have occurred so that the buyer will feel confident about the extent of the damage to the car.

Treating Your Car as an Investment

While depreciation of your car is inevitable, you can make an effort to maximize its value by treating it as an investment. By keeping your car in top running condition and with the best appearance, you will be able to maintain your car's value.

Courtesy: **AutoBild India**

KEEP YOUR CAR SERVICED

Your car maintenance should be checked regularly. Not only does routine car care help you avoid unnecessary, last-minute repairs, it demonstrates to any future prospectors that you appreciated your car by properly maintaining it. Aim to stick to the manufacturer's service schedule if you can. Routine care is proof for potential buyers that the car has been looked after and some buyers are willing to pay more for a car that has been cared for.

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Money Today

Cygnus Staffing Solutions
Accounts Officer / Asst Manager Accounts
Location: Hyderabad / Secunderabad
Job ID: 16377291
Description: Overall responsibility for day to day operations & updating books of accounts.

Vitasta Consulting Private Limited
Senior Executive Finance
Location: Bengaluru / Bangalore
Job ID: 16572634
Description: The role is with Process Control team within Control Services Centre (CSC) which is part of BFS.

Amazon Development Centre (I) Private Limited
R2R
Location: Bengaluru / Bangalore
Job ID: 16561493
Description: Qualified Chartered Accountant, Cost Accountant or CPA would be a strong plus.

dEEVOiR Consulting Services Private Limited
MT/AM/Manger - Intercompany Accounting and Reconciliation
Location: Noida
Job ID: 16559539
Description: Responsible for General Accounting, Intercompany accounting, Reconciliations, Intercompany Settlements.

2COMS Consulting Private Limited
Financial Reporting -MM
Location: Bengaluru / Bangalore
Job ID: 16557469
Description: Candidate will be responsible for financial reporting, SAP, VBA, macro.

Quotient Consultancy
CA Financial Reporting
Location: Mumbai
Job ID: 16575553
Description: Having Exp. in Handling RBI Report understanding ,fare knowledge in regulatory reporting .

Golden Opportunities Private Limited
AM / Manager- Insurance Reporting
Location: Gurgaon
Job ID: 16546310
Description: Looking for candidates with 3+ years of experience in insurance reporting.

Tesco Hindustan Service Cente
Accounts Executive
Location: Bengaluru / Bangalore
Job ID: 16527796
Description: Working knowledge of AP process, Strong Accounting Knowledge, Process all supplier invoices and credit notes after thorough analysis.

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Money Today

Infogain India Private Limited
Executive-Financial Analyst
Location: Noida
Job ID: 16488685
Description: Responsible for creating & supporting the preparation of various BU & account level revenue, expense & business based reports, preparation of monthly finance reports etc.

Monarch Innovative Technologies Pvt. Ltd.
Finance Executive
Location: Mumbai
Job ID: 16457312
Description: Candidate having 1-2yrs of experience will be required. Freshers can also be considered.

Karma Associates
Head Valuation
Location: Hyderabad / Secunderabad
Job ID: 15541463
Description: The candidate must be from an A Grade university/institute. This is essential for them to have the confidence to manage the external environment of venture capitalists, angel investors etc.

Jobsplan
Head - Risk & Audit
Location: Mumbai
Job ID: 15350608
Description: Establish and monitor key risk indicators, as well as implement corrective action plans to mitigate risks.

Futurestep Recruitment Services Pvt Limited
Accounts Payable Processor
Location: Gurgaon
Job ID: 16527572
Description: Prior experience in an accounting operation using a major ERP (Oracle/SAP/other) system is highly desirable.

Sampoorna Computer People
CA Freshers
Location: Gurgaon
Job ID: 16284490
Description: Looking for CA Freshers, Candidates who have completed their CA final in 2014.

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Fund Anatomy

Return from gold exchange-traded funds (ETFs) have been dismal in the past one year as yellow metal prices slumped due to strengthening US dollar and surging US equities during the period

CATEGORY ANALYSIS

	Returns (%)				
EQUITY FUNDS	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Diversified: Large Cap	47.65	26.30	20.13	15.12	13.15
Diversified: Mid Cap	79.94	44.02	31.78	24.81	19.75
Tax Saving	54.81	31.75	23.54	17.48	14.73
Infrastructure	67.75	30.87	17.46	11.46	7.97
Banking	57.47	24.43	21.14	14.98	16.39
Balanced	26.93	19.91	17.47	14.78	12.82
Gold ETF	-15.06	-7.39	-2.56	4.54	8.32
DEBT FUNDS	1 MONTHS	3 MONTHS	6 MONTHS	9 MONTHS	1 YEAR
MIPs	0.08	2.83	7.10	10.96	18.72
Liquid Funds	0.60	1.95	3.99	6.09	8.42
Income Funds	0.30	1.87	6.45	8.12	11.90
Gilt Funds	-0.22	1.96	8.79	10.35	14.79

Returns as on 15 March 2015 Returns for over one year are annualised.

EQUITY DIVERSIFIED LARGE CAP

							Returns (%)		
SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	1 YEAR	3 YEARS	5 YEARS
BNP Paribas Equity Fund	29.7	291	2.7	1.02	0.29	8.34	104.69	39.34	23.42
Birla SL Top 100 Fund	69.42	621	2.7	0.84	0.23	5.34	60.05	26.63	17.87
ICICI Pru Focused BlueChip	43.69	1365	2.28	0.9	0.18	0.57	49.89	25.31	16.86
Reliance Top 200 Fund	30.12	8933	2.13	0.85	0.17	2.17	44.19	22.23	16.74
HDFC Capital Builder Fund	24.64	1175	2.13	0.93	0.2	1.14	58.08	25.75	16.68

EQUITY DIVERSIFIED MID CAP

							Returns (%)		
SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	1 YEAR	3 YEARS	5 YEARS
Canara Rob Emerg Eq Fund	58.67	343	2.58	1.11	0.26	3.44	102.21	37.15	25.39
Religare Invesco Mid N Small Cap	36.32	425	2.8	0.95	0.26	4.87	82.08	35.67	24.77
Franklin India Smaller Cos	38.76	1959	2.31	0.91	0.29	9.33	90.93	42.32	24.67
HDFC Mid-Cap Opportunities	37.52	9751	2.13	0.92	0.25	6.62	75.99	32.04	24.11
JPMorgan India Mid and Small Cap	19.48	371	2.56	1.09	0.25	3.49	96.31	37.71	24.07

EQUITY TAX-SAVING

							Returns (%)		
SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	1 YEAR	3 YEARS	5 YEARS
Axis LT Equity	31.42	4,424	2.33	0.82	0.26	1.48	70.7	36.12	24.38
ICICI Pru R.I.G.H.T	31.26	69	2.5	0.88	0.25	3.12	69.49	34.53	23.95
Reliance Tax Saver (ELSS)	49.45	4,332	2.13	1.1	0.24	1.44	88.96	32.79	22.07
BNP Paribas LT Equity	30.18	359	2.76	0.85	0.24	1.05	64.08	28.33	18.81
Religare Invesco Tax	36.33	242	2.86	0.8	0.26	2.19	65.44	28.14	18.69

INFRASTRUCTURE FUNDS

							Returns (%)		
SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	1 YEAR	3 YEARS	5 YEARS
Franklin Build India	29.41	367	2.98	0.98	0.28	9.49	96.26	36.87	20.86
Canara Rob Infrastructure	38.76	112	2.58	1.17	0.21	3.77	79.07	20.71	13.52
Religare Invesco Infra	14.75	45	3	1.12	0.24	2.96	91.9	26.36	13.14
Kotak Infra & Eco Reform	15.95	149	2.88	0.91	0.26	6.18	78.63	21.53	12.64
DSPBR India T.I.G.E.R	72.25	1700.72	2.41	1.33	0.17	4.12	69.98	20.04	10.56

BANKING FUNDS

SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	Returns (%) 1 YEAR	3 YEARS	5 YEARS
ICICI Pru Banking & Fin Serv	37.77	821	2.13	1.18	0.18	4.01	70	29.81	20.46
Reliance Banking	181.5	2360	2.13	1.26	0.16	3.74	64.57	22.65	18.96
Religare Invesco Banking	35.46	93	3.00	1.23	0.16	0.94	58.01	22.61	16.81
UTI Banking Sector	31.32	431	2.78	1.3	0.14	2.23	53.21	17.85	14.75
Sahara Banking & Fin Serv	46.95	13	2.70	1.37	0.13	5.11	51.82	17.83	14.18

BALANCED FUNDS

SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	Returns (%) 1 YEAR	3 YEARS	5 YEARS
HDFC Children's Gift-Investment	84.89	794	1.88	0.62	0.23	2.31	44.01	23.62	20.31
HDFC Balanced	109.12	3458.58	1.88	0.67	0.25	2.18	51.89	23.06	18.52
ICICI Pru Balanced	93.01	1,774	2.13	0.64	0.24	4.86	46.14	24.13	18.01
Tata Balanced	172.2	2,344	2.73	0.65	0.29	0.56	60.11	26.63	17.97
HDFC Prudence	381.41	8,619	2.13	0.87	0.19	1.12	51.01	20.81	16.34

MONTHLY INCOME PLANS

SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	Returns (%) 3 MONTHS	6 MONTHS	1 YEAR
ICICI Pru Child Care Plan-Gift	103.44	307.74	2.38	0.78	0.22	14.1	2.74	3.09	53.02
ICICI Pru Child Care Plan-Study	53	53.92	1.28	0.32	0.34	9.79	5.35	10.21	33.61
SBI Magnum Children Benefit	36.34	29.63	2.45	0.39	0.27	5.33	2.87	7.13	32.14
Birla SL MIP II-Wealth 25	29.21	737.59	2.00	0.34	0.28	8.28	4.06	11.24	29.22
ICICI Pru MIP 25	30.53	1213.86	1.88	0.28	0.28	6.07	3.74	10.05	25.36

LIQUID FUNDS

SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	Returns (%) 3 MONTHS	6 MONTHS	1 YEAR
Escorts Liquid	21.65	174	0.8	0.01	1.3		2.21	4.56	9.48
Principal Retail Money Manager	1571.54	27	0.2	0.02	1.08	2.14	2.14	4.42	9.4
Indiabulls Liquid	1353.54	2,812	0.25	0	2.76	14.22	2.11	4.32	9.08
Birla SL Cash Plus	362.43	19599.37	0.1	0.01	1.13	1.93	2.08	4.28	9.07
JM High Liquidity	38	4651	0.18	0	4.51	11.64	2.1	4.32	9.07

INCOME FUNDS

SCHEMES	NAV (RS)	AUM (RS CR)	EXP RATIO (%)	SD (%)	SHARPE	CASH (%)	Returns (%) 3 MONTHS	6 MONTHS	1 YEAR
ICICI Pru Long Term	31.78	468	0.34	0.22	0.28	1.83	2.34	10.94	20.36
ICICI Pru Income	43.68	3,947	1.88	0.23	0.24	5.83	1.68	10.19	17.92
HDFC High Interest Fund-Dynamic	47.95	2020.43	1.52	0.2	0.25	6.61	1.91	10.16	17.09
HDFC Income	62.69	5,018	1.53	0.21	0.24	3.98	1.51	10.3	17
Birla SL Income Plus	31.85	3,531	1.88	0.2	0.25	4.02	1.88	9.9	16.86

NAV and returns as on 15 March 2015; AUM and cash holding as on 28 February 2015; Standard deviation (SD) and Sharpe Ratio (Sharpe) figures are for the 1-year period till 15 February 2014; Standard deviation measures the volatility in returns; Sharpe is return-risk ratio; Only growth schemes are considered. All equity funds ranked on the basis of 5-year returns; MIP, income and liquid funds are ranked on 1-year

ENTRY

Companies In

as on 31 Janurary 2015

COMPANIES	% HOLDING	MV (RS CR)	SHARES
Cognizant Tech	0.02	74.53	192028
Mold-Tek Packaging	0.01	48.20	2143182
Take Solutions	0.00	12.08	835000
Ashiana Housing	0.00	9.57	334561
BF Investment	0.00	4.77	274663

EXIT

Companies Out

as on 31 December 2014

COMPANIES	% HOLDING	MV (RS CR)	SHARES
Man Industries	0.0010	3.28	560718
Takeda Pharmaceutical	0.0003	0.87	2800
Ntt Ord	0.0002	0.85	2300
Kubota Corp	0.0002	0.83	9000
Bridgestone Corp	0.0002	0.82	3300

PICKED

Most Bought

as on 31 Janurary 2015

COMPANIES	MV (CHG IN RS CR)	MV (%)	SHARES(%)
Larsen & Toubro	131.20	36.42	31.35
HDFC	118.48	48.09	40.22
Kotak Mah Bank	59.58	18.22	11.93
MCX	48.02	53.56	13.76
TCS	41.00	14.34	6.09

DROPPED

Most Sold

as on 31 Janurary 2015

COMPANIES	MV (CHG IN RS CR)	MV (%)	SHARES(%)
ICICI Bank	-95.49	-40.28	-37.82
SBI	-27.73	-27.70	-25.93
JK Lakshmi Cement	-21.47	-100	-100
Bank Of Baroda	-16.41	-100	-100
Bata India	-15.07	-10.42	-0.49

Companies In table shows new stocks in mutual portfolios, while Companies Out table shows stocks that are out of mutual portfolios. Most Bought and Most Sold tables show the change in figures over the previous month; MV: Market value; Source: Accord Fintech.

GROWTH OPTION

BNP PARIBAS MIDCAP

The fund has delivered 3-year annualised return of 34.16.%, compared with the category's 30.72%

FUND FACTS

INCEPTION: May 2006
CATEGORY: Equity: Mid & Small Cap
TYPE: Open-end
AUM: Rs 305.53 crore
BENCHMARK INDEX: CNX Midcap

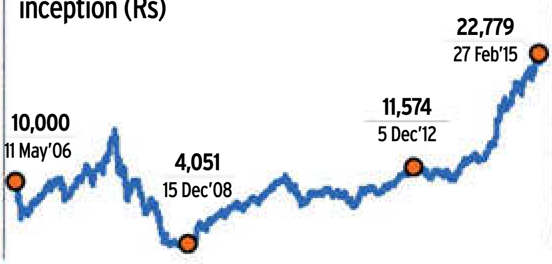
WHAT IT COSTS

NAV: Rs 23.71 (G), Rs 23.62 (D)
MIN INVESTMENT: Rs 5000
MIN SIP AMOUNT: Rs 500
EXPENSE RATIO: 2.89% (as on 30/09/2014)
EXIT LOAD: 1% for redemption within 365 days.

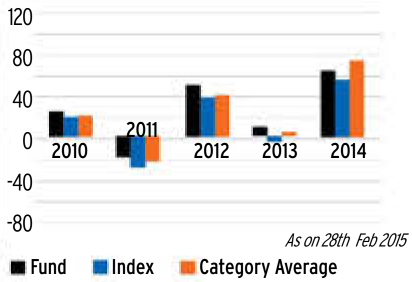
HOW HAS THE FUND PERFORMED?

The fund delivered a 5-year return of 23.60%, compared with the category average of 19.25% and benchmark's 11.87%

Value of Rs 10,000 invested in the fund since inception (Rs)



Annual returns (%)



As on 28th Feb 2015

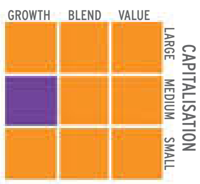
WHERE DOES THE FUND INVEST?

a Asset mix

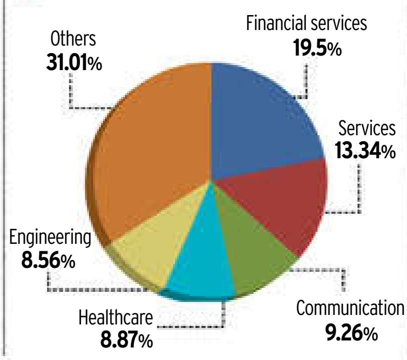
95.60% EQUITY | 0.2% DEBT | 4.20% CASH

b Investing style

The mutual fund scheme invests in growth stocks with a Mid-cap focus



c Sectoral break-up



As % of corpus

d Top holdings

STOCK	% OF CORPUS
Indusind Bank	3.88
VA Tech Wabag	3.25
Idea Cellular	3.25
Bharti Airtel	3.05
Jet Airways India	2.76
Top five scrips	16.19
Top three sectors	42.10

Portfolio holdings as on 28th Feb 2015

WHY INVEST IN IT?

Its performance in the last four years clearly speaks for itself. If you are looking for a mid-cap scheme with great resilience during market downturns, you should pick this one. The fund has demonstrated its superior resilience during the market meltdown in 2011, when it contained its fall much better than its peers and the benchmark. The fund has emerged as a five-star fund in the past 12 months. It focuses on identifying companies with superior businesses and strong moats, long-term growth drivers, reasonable valuations and strong management seems to have been paying off, as was evident during the last market downturn.

MEET THE FUND MANAGER

Shreyash Devalkar has experience of more than 5 years in equities markets. Prior to this, he has worked with IDFC Capital, IDFC Asset Management,JP Morgan Services India and Calyon bank.

Data and analysis of the fund have been sourced from Value Research

BEST PERFORMING STOCKS

NCC Ltd is among the top gainers in the past six months with return of 123%.

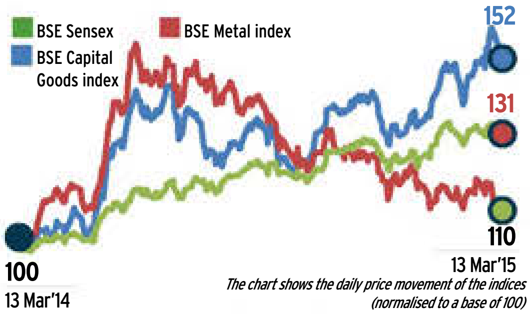
STOCKS	PRICE (RS)	P/E	CHANGE (%)
6 MONTHS			
Titagarh Wagons Ltd.	770.3	544.2	242.3
Sun Pharma Advanced Res	509.2	–	150.3
NCC	100.2	59.8	122.8
Onmobile Global	71.9	–	122.8
Wockhardt	1790.6	53.5	110.0
Tata Elxsi	1228.2	39.5	99.8
Bombay Burmah Trading	477.9	–	96.5
Jet Airways (India)	451.0	–	92.9
Shasun Pharmaceuticals	344.2	45.5	81.9
Ajanta Pharma	3128.5	37.7	79.6
1 YEAR			
Titagarh Wagons Ltd.	770.3	544.2	628.7
Bombay Burmah Trading	477.9	–	403.3
Shasun Pharmaceuticals	344.2	45.5	375.3
NCC	100.2	59.8	368.4
Ashok Leyland	72.5	44.0	315.2
Sadbhav Engineering	369.6	57.2	310.0
JK Lakshmi Cement	373.0	30.8	302.3
Wockhardt	1790.6	53.5	291.3
BEML	1023.6	–	289.7
Symphony	2190.9	65.3	273.2
3 YEARS			
Ajanta Pharma	3128.5	37.7	174.6
Cressanda Solutions	10.2	–	149.5
Aurobindo Pharma	1146.7	20.8	114.0
Eicher Motors	15,879.3	77.0	106.7
Symphony	2190.9	65.3	103.9
Kaveri Seed Company	918.0	20.9	100.7
Natco Pharma	2219.7	64.6	92.6
Atul	1213.4	16.1	87.7
Sun Pharma Advanced Res	509.2	–	87.4
TVS Motor Company	277.7	43.1	83.5
5 YEARS			
Ajanta Pharma	3128.5	37.7	119.2
Symphony	2190.9	65.3	94.5
Eicher Motors	15879.3	77.0	80.6
Page Industries	13442.8	81.5	75.2
Vakrangee	119.5	19	74.1
Kaveri Seed Company	918.0	20.9	73.9
Wockhardt	1790.6	53.5	70.4
Natco Pharma	2219.7	64.6	68.5
Atul	1213.4	16.1	67.5
Kajaria Ceramics	767.4	38.0	64.5

Price is rounded off; data as on 13 March 2015; shares of BSE-500; 3-year and 5-year returns are annualised

- For the quarter ended December 2014, Symphony revenue rose to Rs 155.54 crore, up 30.42%, against Rs 119.26 crore in the corresponding quarter a year ago.
- Ajanta Pharma booked a net profit of Rs 84.71 crore, up 35.71%, for the quarter ended Dec 2014 against Rs 62.42 crore in the corresponding quarter last year.

INDEX MOVES

Due to delay in signing of agreements between the Centre and coal block allottees and slowdown in China, the BSE Metal index fell 8.20% in six months till March 13. Further, rate cut and reviving capex helped BSE Capital Goods index rise 14% in the same period.



The chart shows the daily price movement of the indices (normalised to a base of 100)

BSE SENSEX	BSE METAL	BSE CAPITAL GOODS
1 YEAR **30.90%**	1 YEAR **9.62%**	1 YEAR **52.47%**
6 MONTHS **5.33%**	6 MONTHS **-22.47%**	6 MONTHS **13.04%**
3 MONTHS **4.21%**	3 MONTHS **-8.20%**	3 MONTHS **14.15%**

Figures shows % change as on 13 March 2015

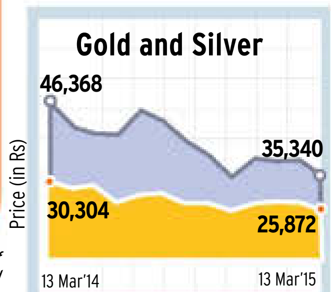
IN FIGURE

629%

is the one-year return given by Titagarh Wagons stock

SUBDUED BULLION

Gold and silver prices plunged 15% and 24%, respectively, in the past one year. The reasons were selling by stockists amid subdued investor buying as well as retail jewellery demand in the backdrop of sluggish international markets.



Gold in Rs/10 gram, silver in Rs/1kg; Source: Ace Equity

RETURN ON METALS

	6 months (%)	1 Year (%)
Gold	**-3.83**	**-14.63**
Silver	**-12.85**	**-23.78**

YTD is year-to-date; Data as on 13 March 2015

HIGHEST EFFECTIVE DIVIDEND

STOCKS	PRICE (RS)	DIVIDEND YIELD (%)
Strides Arcolab	1,068.85	47.25
Clariant Chemicals (India)	851.40	21.02
Pfizer	2,137.10	16.85
Wyeth- (Amalgamated)	1,334.60	10.86
NMDC	131.30	6.47
Piramal Enterprises	849.90	6.18
Cairn India	225.70	5.54
Manappuram Finance	34.25	5.26
Akzo Nobel India	1,451.95	5.17
Syndicate Bank	111.45	4.93

LEAST EXPENSIVE STOCKS

STOCKS	PRICE (RS)	P/E
MTNL	22.30	0.19
Prakash Industries	41.65	2.37
Clariant Chemicals (India)	851.40	2.41
Rolta India	168.60	3.33
United Bank of India	32.30	3.73
HPCL	622.00	4.07
Tata Steel	326.55	4.17
Vikas WSP	12.37	4.78
Alok Industries	8.54	4.79
Syndicate Bank	111.45	4.87

The least expensive stocks are the ones with the lowest P/E ratios; data as on 13 March 2015

MOST EXPENSIVE STOCKS

STOCKS	PRICE (RS)	P/E
Linde India	426.05	672.88
Titagarh Wagons	770.25	544.22
Swan Energy	60.60	486.87
Welspun Corp	63.50	322.34
Unitech	19.45	261.20
Bajaj Finserv	1,492.15	256.14
Indiabulls Real Estate	73.85	186.00
Gillette India	4,504.30	183.97
Adani Enterprises	634.20	159.88
Piramal Enterprises	849.90	148.65

P/E is based on trailing 12-month EPS; data as on 13 March 2015. Source: Ace Equity

Best Loan Buys

Are you scouting for a loan to buy a house, a car or for your child's education? Given below are the best deals on offer from public and private sector lenders.

Best housing loan rates on offer by banks and housing finance companies

Floating rate loans : Tenure - 20 years; Loan Amount - Rs 40 Lakh; Salaried Persons

Private Banks	
HSBC Bank	9.95%-10.30%
Citibank	10%-10.45%
ICICI Bank	10.15%
HDFC Ltd	10.15%-10.65%

PSU Banks	
Union Bank of India	10%
United Bank of India	10%
State Bank of India	10.15%
Canara Bank	10.20%
Bank of India	10.20%

Fixed rate loans: Tenure - 20 years; Loan Amount - Rs 40 Lakh; Salaried Persons

Private Banks	
ICICI Bank	10.15%-10.20%
HDFC Ltd	10.15%-11%
Axis Bank	11.15%-11.65%

PSU Banks	
PNB HFL	10.25%-11.60%
Syndicate Bank	10.75%
IDBI Bank	11%
Indian Bank	11.25%

*Loan reset clause may vary; The rate is fixed for the entire tenure of the loan. Fixed rate not available for smart home and loan against property; Borrowers are advised to seek further details. # up to 2 years. *Upto 10 years*

Car loan rates

Bank of Baroda	10.50%
IDBI Bank	10.60%
Union Bank	10.70%
Canara Bank	10.70%
Indian Bank	10.75%

Tenure: up to 5 years; Amount: Rs 3 lakh, Fixed rate

Personal loan rates

Dena Bank	13.00-14.00%
Stan Chartered	13.00-17.00%
ICICI Bank	13.00-18.00%
HDFC Bank	13.00-18.25%
HSBC Bank	13.50-17.50%

Amount: up to Rs 4 lakh; Tenure up to 5 years;

Education loan rates

Bank of India	10.20%
IDBI Bank	11.25%
Canara Bank	11.70%
State Bank of India	11.75%
Dena Bank	11.80%

Tenure: 5-7 years; Amount: above Rs 7.5 lakh

Fixed deposit rates

1 year	
Ratnakar Bank	9.24%
Indian Bank	9%
Yes Bank	8.85%
Yes Bank	8.8%
Laxmi Vilas Bank	8.8%

2 year	
Ratnakar Bank	9.25%
Indian Bank	9%
Axis Bank	8.9%
Laxmi Vilas Bank	8.9%
Canara Bank	8.8%

5 year	
Ratnakar Bank	9.25%
Indian Bank	8.75%
Yes Bank	8.75%
Laxmi Vilas Bank	8.75%
IDBI Bank	8.6%

Data provided by Deal4Loans.com

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